

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

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

**ANNUAL REPORT FOR 3 MONTHS  
OF THE YEAR 2008  
(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	Grigorijs Uspenskis (from 29.08.2006)
Board Members	Aleksandrs Berezins (from 29.08.2006) Vladimirs Antjufejevs (from 15.05.2006) Anatolijs Ostaščenko (from 07.05.2007) Andrejs Zujevs (from 07.05.2007)
Accounting period	1 January 2008 – 31 March 2008
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 163915) Shares – 50 %

**PROFIT AND LOSS ACCOUNT FOR 3 MONTHS OF 2008**

No.	Items	Line code	Note	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
1	Net turnover	010	1	4655994	6081020	6624883	8652512
2	Production costs of the goods sold	020	2	(4012418)	(4131191)	(5709156)	(5878155)
3	<b>Gross profit or loss</b>	030		<b>643576</b>	<b>1949829</b>	<b>915727</b>	<b>2774357</b>
4	Selling expenses	040	3	(198281)	(85315)	(282128)	(121392)
5	Administration expenses	050	4	(879495)	(563194)	(1251409)	(801353)
6	Other operating income	060	5	39115	28391	55656	40397
7	Other operating expenses	070	6	(129814)	(53747)	(184709)	(76475)
8	Other interest income and similar income	100		8	131	11	186
9	Other interest payments and similar expenses	120	7	(120902)	(48569)	(172028)	(69107)
10	Profit or loss before extraordinary items and taxes	130		(645793)	1227526	(918880)	1746613
11	Profit or loss before tax	160		(645793)	1227526	(918880)	1746613
12	Other taxes	190	9	(20788)	(48617)	(29579)	(69177)
13	Profit or loss of the accounting period	200		<b>(666581)</b>	<b>1178909</b>	<b>(948459)</b>	<b>1677436</b>

EPS (earnings per share)	(0,11)	0,20	(0,16)	0,29
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**BALANCE SHEET FOR 3 MONTHS OF 2008**

<b>A S S E T S</b>	<b>Line code</b>	<b>Note</b>	<b>31.03.08. LVL</b>	<b>31.03.07. LVL</b>	<b>31.03.08. EUR</b>	<b>31.03.07. EUR</b>
<b>1. LONG-TERM INVESTMENTS</b>		9				
<b>I. Intangible investments</b>						
1. Concessions, licences and similar rights	020		694	1172	987	1668
2. Other intangible investments	021		6999	25	9959	36
I. Total	050		<b>7693</b>	<b>1197</b>	<b>10946</b>	<b>1704</b>
<b>II. Fixed assets</b>						
1. Land plots, buildings, constructions	060		4369331	4065624	6216998	5784862
2. Equipment and machinery	080		2038551	1766816	2900597	2513953
3. Other fixed assets and inventory	090		104627	86201	148871	122653
4. Creation of fixed assets	100		1648921	248411	2346203	353457
5. Prepayments for fixed assets	110		119202	259429	169609	369134
II. Total	120		<b>8280632</b>	<b>6426481</b>	<b>11782278</b>	<b>9144059</b>
<b>III. Long-term financial investments</b>						
1. Participation in capital of related companies	130			448093		637579
2. Participation in capital of affiliated companies	150		59927	59927	85268	85268
III. Total	210		<b>59927</b>	<b>508020</b>	<b>85268</b>	<b>722847</b>
<b>I. PART TOTAL AMOUNT</b>	220		<b>8348252</b>	<b>6935698</b>	<b>11878492</b>	<b>9868610</b>
<b>2. CURRENT ASSETS</b>						
<b>I. Stocks</b>						
1. Raw materials, direct materials and auxiliary materials	230		2574248	2354252	3662825	3349799
2. Unfinished products	240		1495364	955798	2127711	1359978
3. Finished products and goods for sale	250		1450985	38038	2064566	54123
4. Prepayments for goods	270		39191	370093	55764	526595
I. Total	290		<b>5559788</b>	<b>3718181</b>	<b>7910866</b>	<b>5290495</b>
<b>II. Debtors</b>						
1. Debts of buyers and customers	300	10	5591685	4292074	7956251	6107071
2. Debts of affiliated companies	320		804	365	1144	519
3. Other debtors	330	11	105515	60660	150134	86311
4. Deferred expenses	360	12	2257	10544	3211	15003
II. Total	370		<b>5700261</b>	<b>4363643</b>	<b>8110740</b>	<b>6208904</b>
<b>III. Securities and participation in capitals</b>						
1. Other securities	400	13	1600000	1600000	2276595	2276595
III. Total	410		1600000	1600000	2276595	2276595
<b>IV. Cash</b>	420	14	15221	92862	21658	132131
<b>II. PART TOTAL AMOUNT</b>	430		<b>12875270</b>	<b>9774686</b>	<b>18319859</b>	<b>13908125</b>
<b>B A L A N C E</b>	440		<b>21223522</b>	<b>16710384</b>	<b>30198351</b>	<b>23776735</b>

Appendices to financial statements on pages 9 – 17 are an integral part of the financial statements.

Joint Stock Company "Rīgas Elektromašīnbūves rūpnīca"  
Non-audited Annual Report for 3 months of the year 2008

**BALANCE SHEET FOR 3 MONTHS OF 2008**

LIABILITIES	Line code	Note	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
<b>1. SHAREHOLDERS' EQUITY</b>						
1. Share capital (capital stock)	450	15	5799005	5799005	8251241	8251241
2. Reserve for revaluation of long-term investments	470		194851	160693	277248	228646
3. Other provisions	510		192922	192922	274503	274503
4. Undivided profit:						
a) Undivided profit of previous years	530		2775263	1522945	3948843	2166956
b) Undivided profit of the accounting year	540		(666581)	1178909	(948459)	1677436
<b>1. PART TOTAL AMOUNT</b>	<b>550</b>		<b>8295460</b>	<b>8854474</b>	<b>11803376</b>	<b>12598782</b>
<b>2. PROVISIONS</b>						
1. Other provisions	580	16	412822	186566	587393	265460
<b>2. PART TOTAL AMOUNT</b>	<b>590</b>		<b>412822</b>	<b>186566</b>	<b>587393</b>	<b>265460</b>
<b>3. CREDITORS</b>						
<b>I. Long-term creditors</b>						
1. Loans from credit institutions	620	17	657746	1534736	935888	2183733
2. Other loans	630	18	10832	15107	15413	21495
3. Deferred tax liabilities	731		227367	200072	323514	284677
I. Total	740		<b>895945</b>	<b>1749915</b>	<b>1274815</b>	<b>2489905</b>
<b>II. Short-term creditors</b>						
1. Loans from credit institutions	770	17	6351844	4057742	9037860	5773647
2. Other loans	780	18	1032183	14513	1468664	20650
3. Advance payments received from buyers	790	19	21533	3391	30639	4825
4. Debts to suppliers and contractors	800	20	2760235	1025612	3927461	1459314
5. Debts to affiliated companies	830		3162	5344	4499	7604
6. Taxes and social security payments	840	21	746013	396410	1061481	564041
7. Other creditors	850	22	704325	416417	1002163	592507
II. Total	890		<b>11619295</b>	<b>5919429</b>	<b>16532767</b>	<b>8422588</b>
<b>3. PART TOTAL AMOUNT</b>	<b>900</b>		<b>12515240</b>	<b>7669344</b>	<b>17807582</b>	<b>10912493</b>
<b>BALANCE</b>	<b>910</b>		<b>21223522</b>	<b>16710384</b>	<b>30198351</b>	<b>23776735</b>

**CASH FLOW STATEMENT FOR 3 MONTHS OF 2008** (prepared by indirect method)

**I. Cash flow from operating activities**

	Items	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
1	Profit or loss before extraordinary items and taxes	(645793)	1227526	(918880)	1746612
	<b>ADJUSTMENTS</b>				
	Depreciation of fixed assets	72392	56948	103005	81030
	Amortization of intangible investment value	967	137	1376	195
	Profit or loss from fluctuations of currency exchange rates	30642	(5594)	43600	(7960)
	Amounts written off fixed assets	914		1301	
	Reserve for revaluation of long-term investments	(4587)	(578)	(6527)	(822)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	<b>(545465)</b>	<b>1278439</b>	<b>(776125)</b>	<b>1819055</b>
	<b>ADJUSTMENTS</b>				
	Increase or decrease of balance of receivables	1376137	(3119428)	1958067	(4438546)
	Increase or decrease of balance of inventories	(935730)	(63218)	(1331424)	(89951)
	Increase or decrease of deferred expenses	6882	13908	9792	19789
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	1731447	3712030	2463627	5281743
	Expenses for tax payments	(20788)	(43706)	(29579)	(62188)
3	Gross cash flow from operating activities	<b>1612483</b>	<b>1778025</b>	<b>2294358</b>	<b>2529902</b>
4	Expenses for corporate income tax payments	(41143)	(48534)	(58541)	(69058)
5	Cash flow before extraordinary items	<b>1571340</b>	<b>1729491</b>	<b>2235817</b>	<b>2460844</b>
I	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1571340</b>	<b>1729491</b>	<b>2235817</b>	<b>2460844</b>

**II. Cash flow from investing activities**

	Items	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
1	Purchase of fixed assets and intangible investments	(1307553)	(233066)	(1860480)	(331623)
II	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(1307553)</b>	<b>(233066)</b>	<b>(1860480)</b>	<b>(331623)</b>

**III. Cash flow from financing activities**

	Items	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
1	Expenses for repayment of loans	(219247)	(219247)	(311960)	(311960)
2	Expenses for repurchase of leased fixed assets	(10006)	(4709)	(14237)	(6700)
3	Expenses for purchase of short-term securities (bill of exchange)		(1600000)		(2276595)
III	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(229253)</b>	<b>(1823956)</b>	<b>(326197)</b>	<b>(2595255)</b>

**IV. Summary of cash inflow and outflow**

	Items	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
I	Net cash flow from operating activities	1571340	1729491	2235817	2460844
II	Net cash flow from investing activities	(1307553)	(233066)	(1860480)	(331623)
III	Net cash flow from financing activities	(229253)	(1823956)	(326197)	(2595255)
	Result of fluctuations of currency exchange rates	(31026)	4373	(44148)	6222
	Net cash flow of the accounting period	<b>3508</b>	<b>(323158)</b>	<b>4992</b>	<b>(459812)</b>
	Cash and its equivalents in the beginning of the accounting period	<b>11713</b>	<b>416020</b>	<b>16666</b>	<b>591943</b>
	Cash and its equivalents at the end of the accounting period	<b>15221</b>	<b>92862</b>	<b>21658</b>	<b>132131</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2008, LVL**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2006.g.</b>	<b>5799005</b>	<b>161271</b>	<b>192922</b>	<b>1522945</b>	<b>7676143</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(578)			(578)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				1178909	1178909
<b>4. Balance as of 31.03.2007.g.</b>	<b>5799005</b>	<b>160693</b>	<b>192922</b>	<b>2701854</b>	<b>8854474</b>
<b>5. Balance as of 31.12.2007.g.</b>	<b>5799005</b>	<b>199438</b>	<b>192922</b>	<b>2775263</b>	<b>8966628</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(4587)			(4587)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(666581)	(666581)
<b>8. Balance as of 31.03.2008.g.</b>	<b>5799005</b>	<b>194851</b>	<b>192922</b>	<b>2108682</b>	<b>8295460</b>

**STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF 2008, EUR**

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
<b>1. Balance as of 31.12.2006.g.</b>	<b>8251241</b>	<b>229468</b>	<b>274503</b>	<b>2166956</b>	<b>10922168</b>
2. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(822)			(822)
b) increase of fixed assets					
3. Income or loss of the accounting period in accordance with the profit and loss account				1677436	1677436
<b>4. Balance as of 31.03.2007.g.</b>	<b>8251241</b>	<b>228646</b>	<b>274503</b>	<b>3844392</b>	<b>12598782</b>
<b>5. Balance as of 31.12.2007.g.</b>	<b>8251241</b>	<b>283775</b>	<b>274503</b>	<b>3948843</b>	<b>12758362</b>
6. Income or loss of the accounting period that is not included in the profit and loss account:					
a) decrease of fixed assets		(6527)			(6527)
b) increase of fixed assets					
7. Income or loss of the accounting period in accordance with the profit and loss account				(948459)	(948459)
<b>8. Balance as of 31.03.2008.g.</b>	<b>8251241</b>	<b>277248</b>	<b>274503</b>	<b>3000384</b>	<b>11803376</b>



## 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 31.03.2008 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 31.03.2008. : 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 2007 warranty repair costs accounted for LVL 36,337 (EUR 51,703), which is only 0.15% 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 euros, major part of its costs are in lats, while all received loans are in euros.

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 3 MONTHS OF 2008**

**Note No. 1 – Net turnover**

Country	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Latvia	2171020	2723059	3089084	3874564
Russia	2465044	1156236	3507442	1645176
Great Britain		1718863		2445722
Ukraine	6478	459871	9217	654337
Sweden	13452	22567	19140	32110
Other		424		603
<b>Total</b>	<b>4655994</b>	<b>6081020</b>	<b>6624883</b>	<b>8652512</b>

**Note No. 2 – Production costs of products sold**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Salaries	1472056	1253727	2094547	1783893
Social insurance contributions	344715	293804	490485	418045
Costs of materials	1877623	2250448	2671617	3202099
Energy resources	192540	185231	273960	263560
Depreciation of capital assets and intangible assets	42840	43141	60956	61384
Business trip costs	15287	16719	21751	23789
Repair costs and remuneration for works from outside	21816	28595	31041	40687
Other costs	45541	59526	64799	84698
<b>Total</b>	<b>4012418</b>	<b>4131191</b>	<b>5709156</b>	<b>5878155</b>

**Note No. 3 – Selling costs**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Packing material and package	65703	49419	93487	70317
Transportation expenses	93961	7220	133694	10273
Salaries	33513	23020	47685	32755
Social insurance contributions	5013	5391	7133	7670
Other selling costs	91	265	129	377
<b>Total</b>	<b>198281</b>	<b>85315</b>	<b>282128</b>	<b>121392</b>

**Note No. 4 – Administrative costs**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Communications costs	8284	5609	11787	7981
Office costs	878	3876	1249	5515
Cash circulation and expense and extra costs	5553	9961	7901	14173
Transportation expenses	6540	4466	9306	6355
Representation expenses	2440	2652	3472	3773
Salaries	578179	379194	822675	539545
Social insurance contributions	135511	88867	192815	126447
Costs of materials	4934	6905	7020	9825
Energy resources	38005	26395	54076	37557
Repair costs	1225	1609	1743	2289
Depreciation of capital assets	18347	13220	26105	18810
Business trip costs	16428	6215	23375	8843
Security services	45022		64061	
Other administrative costs	18149	14225	25824	20240
<b>Total</b>	<b>879495</b>	<b>563194</b>	<b>1251409</b>	<b>801353</b>

Notes (cont.)

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

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Profit gained as a result of other sales (materials, lease, other)	18331	14403	26083	20494
Remaining amounts of removal of capital assets, materials	2705	118	3849	168
Income related to maintenance of social sphere	11397	7667	16216	10909
Decrease in revaluation reserve of capital assets	4588	578	6528	822
Income from converting currency		5247		7466
Income from fluctuations of exchange rates	1816	347	2584	494
Other income	278	31	396	44
<b>Total</b>	<b>39115</b>	<b>28391</b>	<b>55656</b>	<b>40397</b>

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

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Penalty and contractual penalties	9173	7	13052	10
Costs related to maintenance of social sphere	55232	26019	78588	37022
Costs not related to operating activities of the Company	31012	24776	44126	35253
Losses from converting currency	32458		46184	
Removal of capital assets	914		1301	
Write-off of bad debtors		2945		4190
Loss from previous year	1025		1458	
<b>Total</b>	<b>129814</b>	<b>53747</b>	<b>184709</b>	<b>76475</b>

**Note No. 7 – Other interest payments and similar costs**

Indicator	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Loan agreements	25322	32845	36030	46734
Leasing agreements	3539	462	5036	657
Credit line agreements	92041	15262	130963	21716
<b>Total</b>	<b>120902</b>	<b>48569</b>	<b>172029</b>	<b>69107</b>

**Note No. 8 – Other taxes**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Real estate tax on premises (buildings)	18095	39999	25747	56914
Real estate tax on land	2693	8618	3832	12263
<b>Total</b>	<b>20788</b>	<b>48617</b>	<b>29579</b>	<b>69177</b>

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Notes (cont.)

**NOTES TO BALANCE SHEET FOR THE 3 MONTHS OF 2008**

**Note No. 9 – Statement of movement of long-term investments, LVL**

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.08	Purchase	Removed	Remaining amount as at 31.03.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 31.03.08	01.01.08	31.03.08.
<b>Intangible investments</b>										
Licences and other	1360			1360	563	103		666	797	694
Software	6926	2957		9883	2020	864		2884	4906	6999
<b>Total</b>	<b>8286</b>	<b>2957</b>		<b>11243</b>	<b>2583</b>	<b>967</b>		<b>3550</b>	<b>5703</b>	<b>7693</b>
<b>Capital assets</b>										
Land, premises, buildings*	7256001			7256001	2870218	16452		2886670	4385783	4369331
Equipment and machinery	4369920	105646	(42978)	4432588	2396162	40853	(42978)	2394037	1973758	2038551
Other capital assets	245409	10268	(117)	255560	135049	16001	(117)	150933	110360	104627
Creation of capital assets	460239	1284715	(96033)	1648921					460239	1648921
Advance payments for capital assets	396945	1141301	(1419044)	119202					396945	119202
<b>Total</b>	<b>12728514</b>	<b>2541930</b>	<b>(1558172)</b>	<b>13712272</b>	<b>5401429</b>	<b>73306</b>	<b>(43095)</b>	<b>5431640</b>	<b>7327085</b>	<b>8280632</b>
<b>Long-term fin. investm.</b>										
Partnership in capital of associated companies	59927			59927					59927	59927
<b>Total</b>	<b>59927</b>			<b>59927</b>					<b>59927</b>	<b>59927</b>
<b>In total</b>	<b>12796727</b>	<b>2544887</b>	<b>(1558172)</b>	<b>13783442</b>	<b>5404012</b>	<b>74273</b>	<b>(43095)</b>	<b>5435190</b>	<b>7392715</b>	<b>8348252</b>

**Note No. 9 – Statement of movement of long-term investments, EUR**

	Initial value				Depreciation				Remaining value	
	Remaining amount as at 01.01.08	Purchase	Removed	Remaining amount as at 31.03.08	Remaining amount as at 01.01.08	Calculated	Removed	Remaining amount as at 31.03.08	01.01.08	31.03.08
<b>Intangible assets</b>										
Licences and other	1935			1935	801	147		948	1134	987
Software	9855	4207		14062	2874	1229		4103	6981	9959
<b>Total</b>	<b>11790</b>	<b>4207</b>		<b>15997</b>	<b>3675</b>	<b>1376</b>		<b>5051</b>	<b>8115</b>	<b>10946</b>
<b>Capital assets</b>										
Land, premises, buildings*	10324359			10324359	4083952	23409		4107361	6240407	6216998
Equipment and machinery	6217836	150321	(61152)	6307005	3409431	58129	(61152)	3406408	2808405	2900597
Other capital assets	349186	14610	(166)	363630	192157	22767	(165)	214759	157029	148871
Creation of capital assets	654861	1827985	(136643)	2346203					654861	2346203
Advance payments for capital assets	564802	1623925	(2019118)	169609					564802	169609
<b>Total</b>	<b>18111044</b>	<b>3616841</b>	<b>(2217079)</b>	<b>19510806</b>	<b>7685540</b>	<b>104305</b>	<b>(61317)</b>	<b>7728528</b>	<b>10425504</b>	<b>11782278</b>
<b>Long-term fin. investm.</b>										
Partnership in capital of associated companies	85268			85268					85268	85268
<b>Total</b>	<b>85268</b>			<b>85268</b>					<b>85268</b>	<b>85268</b>
<b>In total</b>	<b>18208102</b>	<b>3621048</b>	<b>(2217079)</b>	<b>19612071</b>	<b>7689215</b>	<b>105681</b>	<b>(61317)</b>	<b>7733579</b>	<b>10518887</b>	<b>11878492</b>

Notes (cont.)

\* In 2008 assessed value of the premises decreased and accounted for LVL 9920904 (EUR 14116175), while assessed value of the plot increased significantly and accounted for LVL 16372912 (EUR 23296555).

**Note No. 10 – Debts of customers and clients**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Debts of customers and clients	5603734	4292074	7973395	6107071
Provisions for doubtful debtors	(12049)		(17144)	
<b>Total</b>	<b>5591685</b>	<b>4292074</b>	<b>7956251</b>	<b>6107071</b>

**Note No. 11 – Other debtors**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Demand calculations for personnel	4409	2989	6273	4253
Taxes paid in advance	2075	34299	2952	48803
Overpaid taxes	88876	12405	126459	17651
Advance payments for services	5859	8554	8337	12171
Other	4296	2413	6113	3433
<b>Total</b>	<b>105515</b>	<b>60660</b>	<b>150134</b>	<b>86311</b>

**Note No. 12 – Costs of the following periods**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Press subscription		40		57
Insurance		175		249
Exhibition visits		10282		14630
Annual anti-virus program licences	1585		2255	
Other	672	47	956	67
<b>Total</b>	<b>2257</b>	<b>10544</b>	<b>3211</b>	<b>15003</b>

**Note No. 13 – Other securities and partnership in capitals**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Simple bill of exchange	1600000	1600000	2276595	2276595

**Note No. 14 – Cash**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Current accounts in banks	15221	92862	21658	132131

**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	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. 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
<b>Total</b>	<b>5799005</b>	<b>5799005</b>	<b>8251241</b>	<b>8251241</b>

Notes (cont.)

**Note No. 16 – Other provisions**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Holiday provisions	412822	186566	587393	265460

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

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
<b>Latvian credit institutions, loan agreement, including</b>	<b>1315488</b>	<b>2192478</b>	<b>1871771</b>	<b>3119616</b>
Long-term debt	657746	1534736	935888	2183733
Short-term debt	657742	657742	935883	935883
<b>Latvian credit institutions, credit line agreement, including</b>	<b>5694102</b>	<b>3400000</b>	<b>8101977</b>	<b>4837764</b>
Short-term debt	5694102	3400000	8101977	4837764

**Note No. 18 – Other loans**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
<b>Leasing agreements, including</b>	<b>1043015</b>	<b>29620</b>	<b>1484077</b>	<b>42145</b>
Long-term debt	10832	15107	15413	21495
Short-term debt	1032183	14513	1468664	20650

**Note No. 19 – Advances received from customers**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Local customers	18769	3194	26706	4545
Foreign customers	2764	197	3933	280
<b>Total</b>	<b>21533</b>	<b>3391</b>	<b>30639</b>	<b>4825</b>

**Note No. 20 – Debts to suppliers and contractors**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Local suppliers	2047473	757201	2913292	1077400
Foreign suppliers	712762	268411	1014169	381914
<b>Total</b>	<b>2760235</b>	<b>1025612</b>	<b>3927461</b>	<b>1459314</b>

**Note No. 21 – Taxes and social insurance contributions**

Indicators	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
Personal income tax	173720	130350	247181	185471
Mandatory social insurance contributions	544553	200404	774829	285150
Value added tax		56006		79689
Natural resources tax	6621	2906	9421	4135
Real estate tax on land	2693	6463	3832	9196
Real estate tax on premises (buildings)	18081		25727	
State business risk fee	345	281	491	400
<b>Total</b>	<b>746013</b>	<b>396410</b>	<b>1061481</b>	<b>564041</b>



Notes (cont.)

**Note No. 22 – Other creditors**

<b>Indicators</b>	<b>31.03.08. LVL</b>	<b>31.03.07. LVL</b>	<b>31.03.08. EUR</b>	<b>31.03.07. EUR</b>
Salary debt	691770	411420	984299	585397
Support payments	1436	1265	2043	1800
Trade union membership fee	9224	3712	13125	5282
Other	1895	20	2696	28
<b>Total</b>	<b>704325</b>	<b>416417</b>	<b>1002163</b>	<b>592507</b>

Chair of the Board

G. Uspenskis

23 May 2008