

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

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

**CONSOLIDATED ANNUAL REPORT
FOR THE YEAR 2015
(AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

CONTENT

Information about the parent Company	3
Management report	4
Consolidated comprehensive income statement	6
Consolidated statement of financial position	7
Consolidated cash flow statement	9
Consolidated statement of changes in equity	10
Notes to the consolidated financial statements	11
Management confirmation report	21

INFORMATION ABOUT THE PARENT 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	
The parent Company Council :		
Chairperson of the Council	Andrey Petrov Oleg Domskiy	from 11.11.15. until 11.11.15.
Vice-Chairperson of the Council	Andrey Petrov Kirills Nužins	until 11.11.15. from 11.11.15.
Council Members	Andrey Isaev Ekaterina Chamkina Sergey Goncharov Andrey Sarkisov Natalia Sarkisova Ivgeny Sokolsky	until 15.07.15. until 15.07.15. until 15.07.15. from 15.07.15. from 15.07.15. from 15.07.15.
The parent Company Board:		
Chairperson of the Board	Nikolajs Erohovs	from 15.03.11.
Board Members	Olga Pētersone Aleksandrs Popadins Nikolajs Čudinovs Ilja Šestakovs Aleksandrs Suvorkins Maxim Savenkov	from 27.06.12. from 08.11.13. from 30.01.15. from 30.01.15. until 30.01.15. until 30.01.15.
Revision Committee of the Company	Obligations of the Revision Committee are performed by the Company Council according to Minutes No.1 of ordinary meeting of shareholders dated June 19, 2015.	
Accounting period	1 January 2015 – 31 December 2015	
Auditor	SIA "Rīgas audits", licence No. 103 Skolas iela 11-501, Riga, LV-1010, Latvia Certified auditor J. Mežiels Certified auditor's certificate No. 127	
Subsidiary (daughter) companies	AS „Latvo”, reģ. Nr. 40003184975 Ganību dambis 31, Riga, the Republic of Latvia Fixed capital 5 495 420 EUR Shares – 98.7 %	

MANAGEMENT REPORT

Business activities of the Holding Company in 2015

Basic business activities of the Holding Company are manufacturing of electric machines and machinery (NACE code 2711). The main types of products are as follows:

- Electrical equipment for electric trains;
- Electric equipment for passenger cars;
- Electric equipment for metro cars;
- Cast products.

In 2015 the net turnover of the Holding Company accounted for EUR 13 096 167.

The Holding Company has concluded the financial year 2015 with profit amounting to EUR 100 080 before tax and loss amounting to EUR 163 374 after tax.

Taking into account negative effect of the fall of Russian rouble exchange rate (RUB/EUR) on Concern's performance in 2014, the Concern Board was providing changes in realisation agreements to euro currency with buyers from Russian market in first quarter of 2015 year. In conjunction with this, starting with 2015, Concern has not had any RUB/EUR exchange risks, which had been the most significant financial risks before.

At the same time, the devaluation of Russian ruble is being continued, that influences negatively on Concern's competitiveness due to price definition in Euro, and as a result – sale volume ratio of Concern products has decreased in Russian market.

In order to ensure Concern's financial stability, JSC «Rīgas elektromašīnbūves rūpnīca» board has approved the plan of activities for optimization of all types of expenses in 2015. The plan of activities provided decrease of all types of expenses, including decrease of number of personnel.

Compensatory payments to the workers, who were laid off, had made negative influence on the Concern's parent company financial results in the first quarter of 2015 year, but this negative influence was reduced during 2015 with the cost price expenses economy.

The economic indicators of the Holding Company

In 2015 the Autonomy indicator (equity / entire capital) was 0.56, in comparison with results of 2014 it is more for 7.7%. Proportion coefficient of loans and equity (loans / equity) was 0.78, which has improved by 14.29 % when compared with 2014. Total liquidity indicator (current assets / short-term liabilities) was 1.1.

Other indicators

In 2015 the average number of employees was 552 people, the average monthly salary was EUR 674.

The Holding Company has to fulfill environmental protection requirements while carrying out its operating activities. In order to comply with the said requirements the Company conducts the relevant activities on a regular basis, yet proportion of costs related to those activities is not significant in the total production cost price.

Risk factors related to the business activities of the Holding Company

Financial risks have been characterized on pages 13 and 14 in notes to financial statements of the annual report 2015.

Significant events in 2015

JSC «Rīgas elektromašīnbūves rūpnīca» has finished the realization of 5 projects in the first half-year 2015 by activity «Business and innovations» and sub activity «Centres of Competence», which were approved by Investment and Development Agency of Latvia.

In the September of 2015 JSC „Rīgas elektromašīnbūves rūpnīca” have finished implementation of the Project „The launch of production of new asynchronous traction motors”, within the support program „High value-added investments”. Total Project investment: ~2.17 million EUR. Total ERDF co-financing – 0.98 million EUR.

In the October of 2015 JSC „Rīgas elektromašīnbūves rūpnīca” has completed the implementation of machinery purchase project „Launch of new electrical engineering products”, within the support program „High value-added investments”. Total Project investment is 1.44 million EUR. Total ERDF co-financing is 0.41 million EUR.

Further development of the Holding Company

The Concern plans to provide remarkable growth of production and sales in 2016, also to continue redirecting to production of electrical trains, metro trains, automobile equipment with asynchronous drive.

Events after the balance sheet date

There have not been any significant or extraordinary events between the last day of the reporting year and the day when the management signed the report that could essentially influence data or financial position of the Holding company.

Chairperson of the Board

Nikolajs Erohovs

Board Members

Olga Pētersone

Aleksandrs Popadins

Nikolajs Čudinovs

Iļja Šestakovs

08 April 2016

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR 2015

No.	Items	Note	31.12.15. EUR	31.12.14. EUR
1	Net turnover	1	13096167	33764897
2	Production costs of the goods sold	2	(12447440)	(28523645)
3	Gross profit or loss		648727	5241252
4	Selling expenses	3	(365087)	(846117)
5	Administration expenses	4	(1872931)	(2964492)
6	Other operating income	5	3109593	863572
7	Other operating expenses	6	(977377)	(1011384)
8	Other interest income and similar income		44	28
9	Other interest payments and similar expenses	7	(442889)	(433823)
10	Profit or loss before extraordinary items and taxes		100080	849036
11	Profit or loss before tax		100080	849036
12	Corporate income tax		(98904)	
13	Retained corporate income tax		(32545)	(59882)
14	Other taxes	8	(132005)	(136772)
15	Profit or loss of the accounting period		(163374)	652382

Earnings per share	(0.03)	0.11
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR
ENDED 31 DECEMBER 2015**

A S S E T S	Note	31.12.15. EUR	31.12.14. EUR
1. LONG-TERM INVESTMENTS			
I. Intangible investments	9		
1. Development costs		2142069	1997102
2. Concessions, patents, licences and similar rights		398780	525584
3. Other intangible investments		14318	21914
I. Total		2555167	2544600
II. Fixed assets	9		
1. Land plots, buildings, constructions		17661671	12758456
2. Equipment and machinery		7919805	4644928
3. Other fixed assets and inventory		181598	236814
4. Creation of fixed assets		643332	1273371
5. Prepayments for fixed assets			1013049
II. Total		26406406	19926618
III. Long-term financial investments			
1. Own shares		14551	14551
2. Other long-term debtors	10	7554006	7305729
III. Total		7568557	7320280
I. PART TOTAL AMOUNT		36530130	29791498
2. CURRENT ASSETS			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials	11	2743620	3326894
2. Unfinished products		2188999	2283442
3. Finished products and goods for sale		363895	543957
4. Prepayments for goods		373679	150123
I. Total		5670193	6304416
II. Debtors			
1. Debts of buyers and customers	12	2245094	2808576
2. Other debtors	13	237824	250687
3. Deferred expenses	14	15364	6182
II. Total		2498282	3065445
IV. Cash	15	439	35869
II. PART TOTAL AMOUNT		8168914	9405730
B A L A N C E		44699044	39197228

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR
ENDED 31 DECEMBER 2015**

LIABILITIES	Note	31.12.15. EUR	31.12.14. EUR
1. SHAREHOLDERS' EQUITY			
1. Share capital (capital stock)	16	8118607	8118607
2. Reserve for revaluation of long-term investments	17	11842471	6787883
3. Other provisions		407137	407137
4. Undivided profit:			
a) Undivided profit of previous years		4765821	4113439
b) Undivided profit of the accounting year		(163374)	652382
1. PART TOTAL AMOUNT		24970662	20079448
2. PROVISIONS			
1. Other provisions	18	186585	401317
2. PART TOTAL AMOUNT		186585	401317
3. CREDITORS			
I. Long-term creditors			
1. Loans from credit institutions	19	7278769	6443871
2. Other loans	20		489000
3. Debts to suppliers and contractors	21	519534	587013
4. Other creditors	22		1104316
5. Deferred income	23	1428575	333848
6. Deferred tax liabilities	24	2594665	1664156
I. Total		11821543	10622204
II. Short-term creditors			
1. Loans from credit institutions	19	3813077	4232659
2. Advance payments received from buyers	25	20959	838
3. Debts to suppliers and contractors	21	1996759	2697000
4. Taxes and social security payments	26	1551456	628232
5. Other creditors	22	338003	535530
II. Total		7720254	8094259
3. PART TOTAL AMOUNT		19541797	18716463
BALANCE		44699044	39197228

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2015 (prepared by indirect method)

I. Cash flow from operating activities

	Items	31.12.15. EUR	31.12.14. EUR
1	Profit or loss before extraordinary items and taxes	100080	849036
	ADJUSTMENTS		
	Depreciation of fixed assets	1824661	1666238
	Amortization of intangible investment value	424367	97498
	Income from sales of fixed assets	(561749)	(215834)
	Profit or loss from fluctuations of currency exchange rates	(786266)	629937
	Amounts written off fixed assets	777445	4102
	Reserve for revaluation of long-term investments	(327589)	(123048)
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	1450949	2907929
	ADJUSTMENTS		
	Increase or decrease of balance of receivables	1657287	(2379761)
	Increase or decrease of balance of inventories	857779	667682
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(163246)	1606056
	Increase or decrease of accruals	(214575)	(6260)
	Expenses for tax payments	(132005)	(136772)
3	Gross cash flow from operating activities	3357285	2658874
4	Expenses from company tax payments	(232804)	(94487)
5	Cash flow before extraordinary items	3223385	2564387
I	NET CASH FLOW FROM OPERATING ACTIVITIES	3223385	2564387

II. Cash flow from investing activities

	Items	31.12.15. EUR	31.12.14. EUR
1	Purchase of fixed assets and intangible investments	(4249736)	(4223176)
2	Income from sales of fixed assets and intangible investments	561749	396686
3	Income from repayment of loans	562531	246251
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(3125456)	(3580239)

III. Cash flow from financing activities

	Items	31.12.15. EUR	31.12.14. EUR
1	Loans received	1818370	1917498
2	Expenses for repayment of loans	(1892053)	(1398000)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(73683)	519498

IV. Summary of cash inflow and outflow

	Items	31.12.15. EUR	31.12.14. EUR
I	Net cash flow from operating activities	3223385	2564387
II	Net cash flow from investing activities	(3125456)	(3580239)
III	Net cash flow from financing activities	(73683)	519498
	Result of fluctuations of currency exchange rates	(59676)	518868
	Net cash flow of the accounting period	(35430)	22514
	Cash and its equivalents in the beginning of the accounting period	35869	13355
	Cash and its equivalents at the end of the accounting period	439	35869

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR THE YEAR 2015, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 31.12.2013.	8251241	6892566	274503	4113439	19531749
2. Long-term investment revaluation reserve decrease		(123048)			(123048)
3. Long-term investment revaluation reserve increase – effect of deferred enterprise income tax		18365			18365
4. Share denomination from lat to euro	(132634)		132634		
5. Income or loss of the accounting period in accordance with the profit and loss account				652382	652382
6. Balance as of 31.12.2014.	8118607	6787883	407137	4765821	20079448
7. Long-term investment revaluation reserve decrease		(327589)			(327589)
8. Long-term investment revaluation reserve increase – effect of deferred enterprise income tax		47200			47200
9. Long-term investment revaluation reserve increase - revaluation		6280140			6280140
10. Calculation of deferred enterprise income tax – revaluation effect		(945163)			(945163)
11. Income or loss of the accounting period in accordance with the profit and loss account				(163374)	(163374)
12. Balance as of 31.12.2015.	8118607	11842471	407137	4602447	24970662

Appendices to financial statements on pages 11 – 20 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

In December 2012 JSC "Riga Electric Machine BuildingWorks" acquired 98.7% shares of JSC "Latvo", reg. No. 40003184975 capitalizing debt obligations of JSC "Latvo" to JSC 'Riga Electric Machine Building Works'.

Consolidated financial reports include the balance data of both (the Holding) JSC "Riga Electric Machine BuildingWorks" (hereinafter referred to as JSC "RER") and its subsidiary company of "Latvo" JSC.

The main activities of the holding company are electric machinery and equipment manufacturing.

ACCOUNTING POLICY

Principles of preparing the financial statement

The holding company's financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS). To apply these standards there were not made any significant changes in the Holding's financial principles.

The balance data of the consolidated financial report of the holding company, the parent company's financial report and the subsidiary company's financial reports are identical. Processing the financial report the subsidiary company of the Holding applies the same accounting methods and other regulations of valuation as the parent company of the Holding does.

In the course of consolidation all both mutual transactions and residual values that are in the frames of the Holding have been excluded.

The share of JSC 'RER' in the own capital of the subsidiary company as well as the investment of JSC 'RER' into the subsidiary company's capital have been mutually excluded. The negative equity arisen out from that mutual exclusion is included into the calculations of consolidated profit or of loss.

The share belonging to the minority group of shareholders of subsidiary company JSC 'Latvo' is not separately displayed because such shareholders of the minority group are shareholders of the parent company.

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.

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.

Notes to the consolidated financial statements (cont.)
Accounting policy (cont.)

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:

- Development costs	33.3% - 20%
- 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 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.

	31.12.15. EUR	31.12.14. EUR
Unfinished construction objects	23329	252605
Costs of capital asset creation	620003	1020766
Total	643332	1273371

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. Remaining amounts of receivables have been audited at the annual inventory.

Provisions for stocks of slow-turnover are individually made for every type of stocks.

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 euro (EUR). All transactions carried out in foreign currencies have been recalculated in euros according to the exchange rate of the European Central Bank set on day when the relevant transaction is takes place.

Notes to the consolidated financial statements (cont.)
Accounting policy (cont.)

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.

	31.12.15., 1 EUR	31.12.14., 1 EUR
USD	1.0926	1.216
RUB	79.754	69.1345

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.

Provisions for warranty repairs. A warranty period of the Company's basic products is 2-3 years. In 2015 warranty repair costs is of no high importance, provisions for warranty repairs are not created.

Government grants

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 holding companies. Risk management in the holding companies is controlled by the Council and the Board of the parent company. In its activities holding companies 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 assets fraudulence and protection, efficiency of actions and information system and their compliance with regulatory documents, procedures and agreements.

Notes to the consolidated financial statements (cont.)
Accounting policy (cont.)

The most substantial risks holding companies is exposed to in the course of commercial activities, are financial risks:

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.

In 2015 a significant part of the Holding Company's income was in euro and USA dollar, major part of its costs was in euro. All received loans were in euro.

Interest rate risk

The Holding Company is at the interest rate risk due to its short-term and long-term loans and financial leasing transactions. In 2014 the average rate of the Company's loans and financial leasing transactions was 3.77%, in 2015 – 3.58%.

Liquidity risk

The Holding 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 Holding 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 TO CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR 2015

Note No. 1 – Net turnover

Country	31.12.15. EUR	31.12.14. EUR
Latvia	365317	608954
Russia	10752895	32231151
Ukraine	70658	88740
Belarus	83314	217182
Slovakia	72918	141590
Azerbaijan		93355
Poland	91697	25631
Kazakhstan		18399
Germany		29189
Uzbekistan	1643383	310434
Other	15985	272
Total	13096167	33764897

Note No. 2 – Production costs of products sold

Indicators	31.12.15. EUR	31.12.14. EUR
Salaries	2721895	6613686
Social insurance contributions	617563	1528087
Costs of materials	6070985	16368978
Energy resources	778199	1484450
Depreciation of capital assets and intangible assets, write-off off intangible investments value	1729963	1417229
Business trip costs	56203	78200
Repair costs and remuneration for works from outside	208096	309788
Costs of production quality control	146418	420393
Losses due to rejects	9129	68036
Environmental protection costs	9937	19046
Other costs	99052	215752
Total	12447440	28523645

Notes to consolidated comprehensive income statement (cont.)

Note No. 3 – Selling costs

Indicators	31.12.15. EUR	31.12.14. EUR
Packing material and package	46709	124924
Transportation expenses	207298	509796
Salaries	83657	161731
Social insurance contributions	15962	37655
Other selling costs	11461	12011
Total	365087	846117

Note No. 4 – Administrative costs

Indicators	31.12.15. EUR	31.12.14. EUR
Communications costs	25746	30408
Reimbursement for legal services	3140	5680
Annual report and auditing services	10434	
Cash circulation and expense and extra costs	37382	42293
Transportation expenses	23394	27109
Representation expenses	5732	11486
Salaries	1135401	1723389
Social insurance contributions	207298	342347
Energy resources	26134	61814
Depreciation of capital assets	279955	303730
Business trip costs	34413	32198
Security services	11349	191152
Inspection audit services		17332
Consulting services for the projects of the European funds	19304	58901
Other administrative costs	53249	116653
Total	1872931	2964492

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

Indicators	31.12.15. EUR	31.12.14. EUR
Profit gained as a result of other sales (materials, lease, other)	84876	117309
Sale of capital assets	561749	396686
Income related to maintenance of social sphere	18545	31012
Decrease in revaluation reserve of capital assets	327589	123048
Writing off unclaimed debts to suppliers and contractors	1048267	
Income from fluctuations of exchange rates	786266	
Writing-off accruals set up before		181807
Decrease in holiday provision	210361	5452
Decrease in deferred income	28108	
Other income	43832	8258
Total	3109593	863572

Notes to consolidated comprehensive income statement (cont.)

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

Indicators	31.12.15. EUR	31.12.14. EUR
Penalty and contractual penalties	66544	20718
Costs related to maintenance of social sphere	41571	72305
Costs not related to operating activities of the Company	64500	86359
Loss from fluctuations of exchange rates		629937
Removal of capital assets	777445	185652
Write-off of bad debtors		1109
Other costs	27317	15304
Total	977377	1011384

Note No. 7 – Other interest payments and similar costs

Indicator	31.12.15. EUR	31.12.14. EUR
Loan agreements	353699	345665
Credit line agreements	89187	85776
Other	3	2382
Total	442889	433823

Note No. 8 – Other taxes

Indicators	31.12.15. EUR	31.12.14. EUR
Real estate tax on premises (buildings)	111964	117432
Real estate tax on land	20041	19340
Total	132005	136772

Note No. 9 – Statement of movement of intangible assets and capital assets, EUR

	Intangible investments			Capital assets				
	Development costs	Licences and similar rights	Other intangible investments	Land, premises, buildings*	Equipment and machinery	Other capital assets	Creation of capital assets	Prepayments for capital assets
Initial value								
Remaining amount as at 01.01.15.	1997102	634447	80384	13779279	10200603	670297	1273371	1013049
Purchase	419994		14940		4210594	4972	3810064	1555894
Revaluation				6314628			(34488)	
Revaluation (accumulated depreciation)				(1860262)				
Removed				(571974)	(256899)	(4550)	(4405615)	(2568943)
Write-off of value	(274749)							
Remaining amount as at 31.12.15.	2142347	634447	95324	17661671	14154298	670719	643332	0.00
Depreciation								
Remaining amount as at 01.01.15.		108863	58470	1020823	5555675	433483		
Calculated	278	126804	22536	846815	917658	60188		
Revaluation (accumulated depreciation)				(1860262)				
Removed				(7376)	(238840)	(4550)		
Remaining amount as at 31.12.15.	278	235667	81006	0.00	6234493	489121		
Remaining value								
01.01.15.	1997102	525584	21914	12758456	4644928	236814	1273371	1013049
31.12.15.	2142069	398780	14318	17661671	7919805	181598	643332	0.00

Notes to the consolidated financial statements (cont.)

* In 2015 assessed value of the premises accounted EUR 7 464 275, assessed value of the plot accounted for EUR 2 004 062.

Note No. 10 – Other long-term debtors

Rādītāji	31.12.15. EUR	31.12.14. EUR
Long-term loan of the subsidiary (daughter) company (until 31.12.17.)	7554006	7305727
Total	7554006	7305727

Note No. 11 – Raw materials, direct materials and auxiliary materials

Indicators	31.12.15. EUR	31.12.14. EUR
Raw materials, direct materials and auxiliary materials	2780590	3364247
Provisions for stocks of slow-turnover	(36970)	(37353)
Total	2743620	3326894

Note No. 12 – Debts of customers and clients

Indicators	31.12.15. EUR	31.12.14. EUR
Debts of customers and clients	2255588	2829736
Provisions for doubtful debtors	(10494)	(21160)
Total	2245094	2808576

Note No. 13 – Other debtors

Indicators	31.12.15. EUR	31.12.14. EUR
Taxes paid in advance	8984	94210
Overpaid taxes	70826	129972
Rental debts	5709	7476
Processing of goods	148762	16606
Other	3543	2423
Total	237824	250687

Note No. 14 – Costs of the following periods

Indicators	31.12.15. EUR	31.12.14. EUR
Insurance	1855	2154
Payment for use of design documentation	9464	
Certification	2692	3642
Other	1353	386
Total	15364	6182

Note No. 15 – Cash

Indicators	31.12.15. EUR	31.12.14. EUR
Current accounts in banks	439	35869

Notes to the consolidated financial statements (cont.)

Note No. 16 – Parent Company's Stock capital (fixed capital)

Total number of stocks of AS "RER" is 5 799 005 shares. A nominal value of each share is EUR 1.40. The Company's fixed capital is EUR 8 118 607, which is split into: 5 799 005 regular voting shares. Composition of shareholders according to the database of the Latvian Central Depository:

Indicators	31.12.15. EUR	31.12.14. EUR
Residents, including	270938	274111
- physical entities	233135	237567
- legal entities	37803	36544
Non-residents, including	7847669	7844496
- Russia	5149997	1415438
- Canada	7167	7167
- British Virgin Islands	814829	4549388
- Belize	1867279	1867279
- Lithuania	2446	3823
- Estonia	5951	1401
Total	8118607	8118607

Note No. 17 – Reserve for revaluation of long-term investments

In 2015 the parent Company carried out revaluation of immovable property. Immovable property was evaluated according to its market value. Evaluation was carried out by independent evaluator *Colliers International Advisor*. Market value of immovable property was determined by means of income method and market method. Revaluation is processed for whole group of capital assets 'Land plots, buildings and constructions'.

As result of evaluation increase of active value was ascertained at the amount of EUR 6 280 140 that was included into equity capital position 'Long-term investment revaluation reserve', from which deferred tax effect was deducted at the amount of EUR 945 163.

Note No. 18 – Other provisions

Indicators	31.12.15. EUR	31.12.14. EUR
Holiday provisions	182040	392401
Other provisions	4545	8916
Total	186585	401317

Note No. 19 – Long-term and short-term loans from credit institutions

Indicators	31.12.15. EUR	31.12.14. EUR
Latvian credit institutions, loan agreement, including	8095258	7925360
Long-term debt	7278769	6443871
Short-term debt	816489	1481489
Latvian credit institutions, credit line, including	2996588	2751170
Short-term debt	2996588	2751170

As on 31.12.2015 all assets of parent Company have been pledged as security for a loan.

Note No. 20 – Other loans

Indicators	31.12.15. EUR	31.12.14. EUR
Other loans, including		489000
Long-term debt		489000

Notes to the consolidated financial statements (cont.)

Note No. 21 – Debts to suppliers and contractors

Indicators	31.12.15. EUR	31.12.14. EUR
Long-term creditors, including	519534	587013
Foreign suppliers	519534	587013
Short-term creditors, including	1996759	2697000
Local suppliers	1364536	1604045
Foreign suppliers	632223	1092955

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

Indicators	31.12.15. EUR	31.12.14. EUR
Long-term creditors, including		1104316
Other creditors		57082
Settlement of the debts of other companies		1047234
Short-term creditors, including	338003	535530
Salary debt	313092	520081
Support payments	2208	4412
Trade union membership fee	583	745
Other	22120	10292

Note No. 23 – Deferred income

Indicators	31.12.15. EUR	31.12.14. EUR
Support for the project implementation in the frames of the Centre of Competence	261532	29357
Support for the project implementation in the frames of the European Regional Fund of Development (ERAF) "Investments of high-level added value"	1167043	304491
Total	1428575	333848

Note No. 24 – Deferred tax liabilities

Deferred enterprise income tax displayed in the consolidated statement of financial position

Rādītāji	31.12.15. EUR	31.12.14. EUR
Liabilities		
Long-term investment revaluation effect	2095934	1197971
Fixed assets depreciation temporary difference effect	530870	535159
Total liabilities	2626804	1733130
Assets		
Accumulated leave costs temporary difference effect	(25020)	(58860)
Temporary difference on provision for doubtful receivables	(1574)	(3174)
Temporary difference on provision for impaired materials and other provision	(5545)	(6940)
Total assets	(32139)	(68974)
Deferred enterprise income tax displayed in the balance statement	2594665	1664156

Deferred enterprise income tax displayed in the consolidated comprehensive income statement

Rādītāji	31.12.15. EUR	31.12.14. EUR
Deferred tax expenditure in profit and loss account of accounting year	32545	59882

Notes to the consolidated financial statements (cont.)

Note No. 25 – Advances received from customers

Indicators	31.12.15. EUR	31.12.14. EUR
Local customers	8609	219
Foreign customers	12350	619
Total	20959	838

Note No. 26 – Taxes and social insurance contributions

Indicators	Personal income tax	Mandato- ry social insurance contribu- tions	Corporate income tax	Corporate income tax paid in advance	Value added tax	Natural resources tax	Real estate tax on land	Real estate tax on premises (buil- dings)	State business risk fee
31.12.14. debt	273348	216710	133900			3956			318
31.12.14. overpayment				90344	129972				
Calculated	831934	1420684	98904		809902	10190	20041	111964	2370
Penalty calculated	34493	26017	1789				236	383	2
Allocated to other taxes			54	61406	314123				
Repaid from the budget				28938	627811				
Paid	349182	645798	56885		1692689	10961	20041	111964	2504
Penalty paid	34493	26017	1789				236	383	2
Tax debt is settled from excess payment of other tax	114940	183573	77069						
31.12.15. debt	641160	808023	98904	0.00		3185			184
31.12.15. overpayment					70825				

* As for 31.12.2015 the Holding Company has no current tax debts.

Note No. 27 – Information about remuneration for services of the commercial company of certified auditors (amounts given including VAT)

Indicators	31.12.15. EUR	31.12.14. EUR
Remuneration for auditing annual report	10560	10560
Remuneration for auditing consolidated annual report	2066	2066
Total	12626	12626

Chairperson of the Board

Nikolajs Erohovs

Board Members

Olga Pētersone

Aleksandrs Popadins

Nikolajs Čudinovs

Iļja Šestakovs

MANAGEMENT CONFIRMATION REPORT

Consolidated financial statements are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial statements give a true and fair view of the financial position of the Group and of its financial performance for the period ended 31 December 2015.

In preparing those financial statements, management selected suitable accounting policies, made judgments and estimates that are reasonable and prudent, prepared the financial statements on the going concern basis to presume that the Group will continue in business.

The Management Board is responsible for organizing accounting, they are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chairperson of the Board

Nikolajs Erohovs

Board Members

Olga Pētersone

Aleksandrs Popadins

Nikolajs Čudinovs

Ilja Šestakovs

08 April 2016



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rīgas Elektromašīnbūves rūpnīca AS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rīgas Elektromašīnbūves rūpnīca AS and its subsidiaries (hereinafter – the Group), set out on pages 6 to 21 of the accompanying consolidated annual report, which comprise the consolidated balance sheet as of 31 December 2015 and the consolidated comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

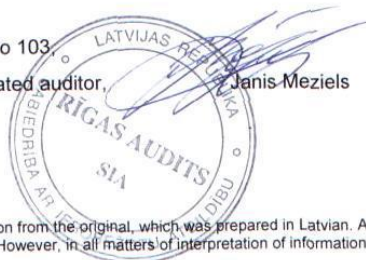
We have read the Report of the Board of Directors for 2015 set out on pages 4 to 5 of the accompanying consolidated annual report for 2015 and did not identify material inconsistencies between the financial information contained in the Report of the Board of Directors and that contained in the consolidated financial statements for 2015.

"Rigas Audits" Ltd, certificate No 103

Chairman of the Board, certificated auditor, Janis Meziels

Certificate No 127

Riga, 28 April 2016



* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.