

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

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

**CONSOLIDATED ANNUAL REPORT
FOR 3 MONTHS OF THE YEAR 2016
(NON-AUDITED)**

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

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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.
Accounting period	1 January 2016 – 31 March 2016	
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 the first quarter of 2016 year

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.

The results of Concern activity have been improved significantly in the 1 quarter of 2016, in comparison with the 1 quarter of 2015.

So, the growth of the sales value has increased by 58, 2 %, in the 1 quarter of 2016, and gross margin was €0, 33 million, in contrast with gross losses in the amount of €0,4 million in the 1 quarter of 2015. Taking into account the big volume of investments, which are constituted in general €5, 4 million. Depreciation volume is being increased substantially in 2016, and as the result, the amount of profit before the percents, taxes, depreciation and amortization (EBITDA) reached €0, 7 million, despite of net loss in amount of €0, 2 million, in the 1 quarter of 2016. In its turn, net profit was practically close to nothing in the 1 quarter of 2015, and EBITDA reached €0,7 million.

JSC "Riga Electric Machine Building Works" management considers that Concern activity results will be saving overall tangible tendency during all 2016, and financial situation will be increasing.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

30 May 2016

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE 3 MONTHS OF THE YEAR 2016

No.	Items	Note	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
1	Net turnover	1	3752474	2361236
2	Production costs of the goods sold	2	(3418004)	(2764364)
3	Gross profit or loss		334470	(403128)
4	Selling expenses	3	(135137)	(60939)
5	Administration expenses	4	(463155)	(470025)
6	Other operating income	5	244510	1114038
7	Other operating expenses	6	(77004)	(41097)
8	Other interest income and similar income			8
9	Other interest payments and similar expenses	7	(99506)	(104233)
10	Profit or loss before extraordinary items and taxes		(195822)	34624
11	Profit or loss before tax		(195822)	34624
12	Other taxes	8	(29848)	(33002)
13	Profit or loss of the accounting period		(225670)	1622

Earnings per share	(0.04)	0.0003
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 3 MONTHS OF THE YEAR 2015

A S S E T S	Note	31.03.16. EUR	31.03.15. EUR
1. LONG-TERM INVESTMENTS			
I. Intangible investments	9		
1. Development costs		2151447	2190766
2. Concessions, patents, licences and similar rights		367079	493883
3. Other intangible investments		12450	16436
4. Prepayments for intangible investments		4652	
I. Total		2535628	2701085
II. Fixed assets	9		
1. Land plots, buildings, constructions		17362606	12546413
2. Equipment and machinery		7623317	4878340
3. Other fixed assets and inventory		168284	223278
4. Creation of fixed assets		785709	1185410
5. Prepayments for fixed assets			901635
II. Total		25939916	19735076
III. Long-term financial investments			
1. Own shares		14551	14551
2. Other long-term debtors	10	7558156	8191578
III. Total		7572707	8206129
I. PART TOTAL AMOUNT		36048251	30642290
2. CURRENT ASSETS			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials		2693268	3154962
2. Unfinished products		2678520	2233226
3. Finished products and goods for sale		282823	658071
4. Prepayments for goods		436081	210730
I. Total		6090692	6256989
II. Debtors			
1. Debts of buyers and customers	11	1247394	2304766
2. Other debtors	12	170460	164374
3. Deferred expenses	13	12373	7596
II. Total		1430227	2476736
IV. Cash	14	4964	28232
II. PART TOTAL AMOUNT		7525883	8761957
B A L A N C E		43574134	39404247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR 3 MONTHS OF THE YEAR 2016

LIABILITIES	Note	31.03.16. EUR	31.03.15. EUR
1. SHAREHOLDERS' EQUITY			
1. Share capital (capital stock)	15	8118607	8118607
2. Reserve for revaluation of long-term investments	16	11840108	6787883
3. Other provisions		407137	407137
4. Undivided profit:			
a) Undivided profit of previous years		4602447	4765821
b) Undivided profit of the accounting year		(225670)	1622
1. PART TOTAL AMOUNT		24742629	20081070
2. PROVISIONS			
1. Other provisions	17	186585	201510
2. PART TOTAL AMOUNT		186585	201510
3. CREDITORS			
I. Long-term creditors			
1. Loans from credit institutions	18	7777648	6556322
2. Other loans	19		489000
3. Debts to suppliers and contractors	20	519534	648680
4. Other creditors	21		1104357
5. Deferred income	22	1490715	892653
6. Deferred tax liabilities		2594547	1664156
I. Total		12382444	11355168
II. Short-term creditors			
1. Loans from credit institutions	18	3123871	4160522
2. Advance payments received from buyers	23	230962	18013
3. Debts to suppliers and contractors	20	1117930	1992036
4. Taxes and social security payments	24	1391277	1250284
5. Other creditors	21	398436	345644
II. Total		6262476	7766499
3. PART TOTAL AMOUNT		18644920	19121667
BALANCE		43574134	39404247

CONSOLIDATED CASH FLOW STATEMENT FOR 3 MONTHS OF THE YEAR 2016, EUR
(prepared by indirect method)

I. Cash flow from operating activities

	Items	01.01.16. - 31.03.16.	01.01.15. - 31.03.15.
1	Profit or loss before extraordinary items and taxes	(195822)	34624
	ADJUSTMENTS		
	Depreciation of fixed assets	608107	425994
	Amortization of intangible investment value	159337	105866
	Income from sales of fixed assets	(936)	(3968)
	Profit or loss from fluctuations of currency exchange rates	40304	(872905)
	Amounts written off fixed assets	760	
	Reserve for revaluation of long-term investments	(2480)	
2	Profit or loss before adjustments influenced by changes of balance of current assets and short-term liabilities	609270	(310389)
	ADJUSTMENTS		
	Increase or decrease of balance of receivables	973992	(3566)
	Increase or decrease of balance of inventories	(358097)	108034
	Increase or decrease of balance of debts to be paid to suppliers, contractors and other creditors	(719133)	138264
	Increase or decrease of accruals		(199807)
	Expenses for tax payments	(29848)	(33002)
3	Gross cash flow from operating activities	476184	(300466)
4	Expenses from company tax payments		(55711)
5	Cash flow before extraordinary items	476184	(356177)
I	NET CASH FLOW FROM OPERATING ACTIVITIES	476184	(356177)

II. Cash flow from investing activities

	Items	01.01.16. - 31.03.16.	01.01.15. - 31.03.15.
1	Purchase of fixed assets and intangible investments	(277523)	(608217)
2	Income from sales of fixed assets and intangible investments	936	3968
II	NET CASH FLOW FROM INVESTING ACTIVITIES	(276587)	(604249)

III. Cash flow from financing activities

	Items	01.01.16. - 31.03.16.	01.01.15. - 31.03.15.
1	Loans received	1500000	325314
2	Expenses for repayment of loans	(1690327)	(285000)
III	NET CASH FLOW FROM FINANCING ACTIVITIES	(190327)	40314

IV. Summary of cash inflow and outflow

	Items	01.01.16. - 31.03.16.	01.01.15. - 31.03.15.
I	Net cash flow from operating activities	476184	(356177)
II	Net cash flow from investing activities	(276587)	(604249)
III	Net cash flow from financing activities	(190327)	40314
	Result of fluctuations of currency exchange rates	(4745)	912475
	Net cash flow of the accounting period	4525	(7637)
	Cash and its equivalents in the beginning of the accounting period	439	35869
	Cash and its equivalents at the end of the accounting period	4964	28232

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY FOR 3 MONTHS OF THE YEAR 2016, EUR

Kind of changes	Share capital	Reserve for revaluation of long-term investments	Other provisions	Undivided profit	Total
1. Balance as of 01.01.15.	8118607	6787883	407137	4765821	20079448
2. Long-term investment revaluation reserve decrease					
3. Income or loss of the accounting period in accordance with the profit and loss account				1622	1622
4. Balance as of 31.03.15.	8118607	6787883	407137	4767443	20081070
5. Balance as of 01.01.16.	8118607	11842471	407137	4602447	24970662
6. Long-term investment revaluation reserve decrease		(2363)			(2363)
7. Income or loss of the accounting period in accordance with the profit and loss account				(225670)	(225670)
8. Balance as of 31.03.16.	8118607	11840108	407137	4376777	24742629

Appendices to financial statements on pages 10 – 18 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.

	31.03.16. EUR	31.03.15. EUR
Unfinished construction objects	23329	252605
Costs of capital asset creation	762380	932805
Total	785709	1185410

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.

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. 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. Significant part of the Holding Company's income is in euro and USA dollar, major part of its costs is 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.

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 3 MONTHS OF THE YEAR 2016

Note No. 1 – Net turnover

Country	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Latvia	59813	78285
Russia	3420336	1874316
Belarus		5975
Slovakia	2478	15289
Uzbekistan	250401	385442
Ukraine	15660	
Other	3786	1929
Total	3752474	2361236

Note No. 2 – Production costs of products sold

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Salaries	706751	785171
Social insurance contributions	158406	179923
Costs of materials	1515617	1014592
Energy resources	291720	243468
Depreciation of fixed assets and intangible investments, write-off off intangible investments value	605091	407996
Business trip costs	17441	7835
Repair costs and remuneration for works from outside	79275	100891
Losses due to rejects	948	1852
Environmental protection costs	12973	3429
Other costs	29782	19207
Total	3418004	2764364

Notes to consolidated comprehensive income statement (cont.)

Note No. 3 – Selling costs

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Packing material and package	12238	7962
Transportation expenses	56334	23133
Salaries	20202	22126
Social insurance contributions	3776	5180
Other selling costs	42587	2538
Total	135137	60939

Note No. 4 – Administrative costs

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Communications costs	4623	4523
Cash circulation and expense and extra costs	9185	13989
Transportation expenses	6471	5665
Salaries	242019	279437
Social insurance contributions	49865	60952
Energy resources	9439	8605
Depreciation of fixed assets	106233	70415
Business trip costs	6549	9593
Security services		11349
Other administrative costs	28771	5497
Total	463155	470025

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

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Profit gained as a result of other sales (lease, other)	34792	29824
Sale of capital assets	936	3968
Income related to maintenance of social sphere		7514
Profit from fluctuations of exchange rates		872905
Decrease in revaluation reserve of fixed assets	2480	
Decrease in holiday provision		199807
Decrease in deferred income	203971	
Other income	2331	20
Total	244510	1114038

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

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Penalty and contractual penalties	11193	10062
Costs related to maintenance of social sphere	6599	15174
Costs not related to operating activities of the Company	17395	15281
Loss from fluctuations of exchange rates	40305	
Other costs	1512	580
Total	77004	41097

Notes to consolidated comprehensive income statement (cont.)

Note No. 7 – Other interest payments and similar costs

Indicator	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Loan agreements	77376	78971
Credit line agreements	22130	21595
Other		3667
Total	99506	104233

Note No. 8 – Other taxes

Indicators	01.01.16. - 31.03.16. EUR	01.01.15. - 31.03.15. EUR
Real estate tax on premises (buildings)	23900	27992
Real estate tax on land	5948	5010
Total	29848	33002

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	Prepayments for intangible investments	Land, premises, buildings*	Equipment and machinery	Other capital assets	Creation of capital assets
Initial value								
Remaining amount as at 01.01.16.	2142347	634447	95324		17661671	14154298	670719	643332
Purchase	135146			4652				142377
Removed					(778)	(15510)	(13749)	
Write-off of value	(45792)							
Remaining amount as at 31.03.16.	2231701	634447	95324	4652	17660893	14138788	656970	785709
Depreciation								
Remaining amount as at 01.01.16.	278	235667	81006			6234493	489121	
Calculated	79976	31701	1868		298305	296488	13314	
Removed					(18)	(15510)	(13749)	
Remaining amount as at 31.03.16.	80254	267368	82874		298287	6515471	488686	
Remaining value								
01.01.16.	2142069	398780	14318		17661671	7919805	181598	643332
31.03.16.	2151447	367079	12450	4652	17362606	7623317	168284	785709

*In 2016 assessed value of the premises accounted EUR 6 373 640, assessed value of the plot accounted for EUR 1 586 075.

Note No. 10 – Other long-term debtors

Rādītāji	31.03.16. EUR	31.03.15. EUR
Long-term loan of the subsidiary (daughter) company (until 31.12.17.)	7558156	8191578
Total	7558156	8191578

Notes to the consolidated financial statements (cont.)

Note No. 11 – Debts of customers and clients

Indicators	31.03.16. EUR	31.03.15. EUR
Debts of customers and clients (for the goods and services)	1247394	2304766
Total	1247394	2304766

Note No. 12 – Other debtors

Indicators	31.03.16. EUR	31.03.15. EUR
Taxes paid in advance	8882	93481
Overpaid taxes	80881	51666
Rental debts	4810	6201
Processing of goods	71897	9697
Other	3990	3329
Total	170460	164374

Note No. 13 – Costs of the following periods

Indicators	31.03.16. EUR	31.03.15. EUR
Insurance	1972	2784
Certification	2374	3420
Payment for use of design documentation	7280	
Other	747	1392
Total	12373	7596

Note No. 14 – Cash

Indicators	31.03.16. EUR	31.03.15. EUR
Current accounts in banks	4964	28232

Note No. 15 – 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	31.03.16. EUR	31.03.15. 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

Notes to the consolidated financial statements (cont.)

Note No. 16 – 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. 17 – Other provisions

Indicators	31.03.16. EUR	31.03.15. EUR
Holiday provisions	182040	192594
Other provisions	4545	8916
Total	186585	201510

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

Indicators	31.03.16. EUR	31.03.15. EUR
Latvian credit institutions, loan agreement, including	8202648	7752811
Long-term debt	7777648	6556322
Short-term debt	425000	1196489
Latvian credit institutions, credit line, including	2698871	2964033
Short-term debt	2698871	2964033

As on 31.03.2016 all assets of parent Company have been pledged as security for a loan.

Note No. 19 – Other loans

Indicators	31.03.16. EUR	31.03.15. EUR
Other loans, including		489000
Long-term debt		489000

Note No. 20 – Debts to suppliers and contractors

Indicators	31.03.16. EUR	31.03.15. EUR
Long-term creditors, including	519534	648680
Foreign suppliers	519534	648680
Short-term creditors, including	1117930	1992036
Local suppliers	791911	754243
Foreign suppliers	326019	1237793

Note No. 21 – Long-term and short-term other creditors

Indicators	31.03.16. EUR	31.03.15. EUR
Long-term creditors, including		1104357
Other creditors		57123
Settlement of the debts of other companies		1047234
Short-term creditors, including	398436	345644
Salary debt	330500	255712
Earnest	50000	77885
Other	17936	12047

Notes to the consolidated financial statements (cont.)

Note No. 22 – Deferred income

Indicators	31.03.16. EUR	31.03.15. EUR
Support for the project implementation in the frames of the Centre of Competence	262519	32610
Support for the project implementation in the frames of the European Regional Fund of Development (ERAF) "Investments of high-level added value"	1228196	860043
Total	1490715	892653

Note No. 23 – Advances received from customers

Indicators	31.03.16. EUR	31.03.15. EUR
Local customers	41495	1725
Foreign customers	189467	16288
Total	230962	18013

Note No. 24 – Taxes and social insurance contributions

Indicators	31.03.16. EUR	31.03.15. EUR
Personal income tax	551262	519614
Mandatory social insurance contributions	735470	648485
Income tax	98904	78189
Natural resources tax	5450	3827
State business risk fee	191	169
Total	1391277	1250284

* As for 31.03.2016 the Holding Company has no current tax debts.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

30 May 2016

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 March 2016.

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.

On behalf of the Holding Company,

Chairperson of the Board

Nikolajs Erohovs

30 May 2016