

**“VEF” JSC**

2005 year financial statements, drawn up  
in compliance with Latvian legislation  
requirements

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"VEF" JSC

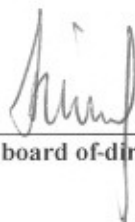
**BALANCE SHEET**  
As of DECEMBER 31, 2005

	Comm. Nr.	2005 LVL	2005 EUR	2004 LVL	2004 EUR
<b>ASSETS</b>					
<b>Long-term investments</b>					
<b>Intangible assets</b>					
Concessions, patents, licences		95	135	100	142
<b>Total intangible assets</b>		<b>95</b>	<b>135</b>	<b>100</b>	<b>142</b>
<b>Fixed Assets</b>					
Land, buildings and other property		3618454	5148596	1581058	2249016
Equipment and machinery		69283	98581	47463	67515
Other fixed assets and inventory		9628	13699	12491	17768
Construction in progress		315267	448585	687421	977839
<b>Total fixed assets</b>		<b>4012632</b>	<b>5709461</b>	<b>2328433</b>	<b>3312138</b>
<b>Long-term financial investments</b>					
Other securities and investments				3200	4552
<b>Total long-term financial investments</b>				<b>3200</b>	<b>4552</b>
<b>Total long-term investments</b>		<b>4012727</b>	<b>5709596</b>	<b>2331733</b>	<b>3316832</b>
<b>Current assets:</b>					
<b>Inventory</b>					
Materials				675	960
Goods for sale		13685	19472	13685	19467
<b>Total inventory</b>		<b>13685</b>	<b>19472</b>	<b>14360</b>	<b>20427</b>
<b>Debtors</b>					
Other debtors		162483	231192	236478	336383
Future period expenses		7210	10259	6848	9741
Accrued income		25996	36989	13917	19797
<b>Total debtors</b>		<b>195689</b>	<b>278440</b>	<b>257243</b>	<b>365921</b>
<b>Cash</b>		<b>235718</b>	<b>335397</b>	<b>225878</b>	<b>321306</b>
<b>TOTAL CURRENT ASSETS:</b>		<b>445092</b>	<b>633309</b>	<b>497481</b>	<b>707654</b>
<b>TOTAL ASSETS:</b>		<b>4457819</b>	<b>6342905</b>	<b>2829214</b>	<b>4024486</b>

**BALANCE SHEET**  
 As of **DECEMBER 31, 2005**

	Comm. Nr.	2005	2005	2004	2004
		LVL	EUR	LVL	EUR
<b>LIABILITIES AND NET WORTH</b>					
<b>Stockholder's Equity</b>					
Common stock		1829908	2603725	1829908	2602999
Long-term investments revaluation reserve		432868	615916	432868	615744
Accumulations					
Other accumulations		586037	833856	586037	833623
<b>Total accumulations</b>		<b>586037</b>	<b>833856</b>	<b>586037</b>	<b>833623</b>
Retained earnings from the previous years		-1567695	-2230630	-1632432	-2322094
Retained earnings of the financial year		11563	16453	64740	92091
<b>Total stockholder's equity</b>		<b>1292681</b>	<b>1839320</b>	<b>1281121</b>	<b>1822363</b>
<b>Liabilities</b>					
<b>Long-term liabilities</b>					
Borrowings from credit institutions		2691060	3829033	1457695	2073535
Other loans				9913	14101
Prepayments from buyers		8359	11893		
Other liabilities		244113	347342		
<b>Total long-term liabilities</b>		<b>2943532</b>	<b>4188268</b>	<b>1467608</b>	<b>2087636</b>
<b>Current liabilities</b>					
Other loans				22850	32503
Prepayments from buyers		1000	1423	11253	16007
Accounts payable		189751	269991	16017	22784
Taxes and social security payments				3344	4757
Other liabilities		3832	5453	4125	5868
Future period income		27023	38450	22896	32569
<b>Total current liabilities</b>		<b>221606</b>	<b>315317</b>	<b>80485</b>	<b>114488</b>
<b>Total liabilities</b>		<b>3165138</b>	<b>45035865</b>	<b>1548093</b>	<b>2202124</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		<b>4457819</b>	<b>6342905</b>	<b>2829214</b>	<b>4024486</b>

G. Lipinsh  
 Chairman of the board of directors



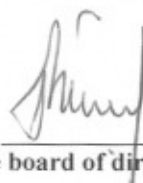
	Comm. Nr.	2005	2005	2004	2004
		LVL	EUR	LVL	EUR
Net turnover		440823	627235	315685	449054
Cost of goods sold		-306303	-435830	-271833	-386676
<b>Gross profit</b>		<b>134520</b>	<b>191405</b>	<b>43852</b>	<b>62378</b>
Selling expenses					
Administrative expenses		-66977	95300	-55925	-79552
Other income from operations		8815	12543	178042	253260
Other expenses from operations		-4855	-6908	-104307	-148374
Income from long-term securities and loans		57	81	157414	223918
Financial services income		219	312	9955	14161
Long-term financial investments and short-term securities value depreciation		-3200	-4553	-145963	-207629
Financial services expenses		-42864	-60991	-4480	-6373
<b>Profit before taxes</b>		<b>25715</b>	<b>36589</b>	<b>78588</b>	<b>111790</b>
Other taxes		-14152	-20137	-13848	-19699
<b>Net profit</b>		<b>11563</b>	<b>16453</b>	<b>64740</b>	<b>92091</b>

G. Lipinsh   
Chairman of the board of directors

"VEF" JSC  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR YEAR, WHICH ENDS ON DECEMBER 31, 2005.**

	Fixed capital	App.	31.12.2005	31.12.2005	31.12.2004	31.12.2004
	LVL		LVL	EUR	LVL	EUR
<b>Stockholder's equity</b>						
	Balance at the beginning of the financial year		1829908	2603725	1829908	2602999
	Increase from					
	Decrease from					
	Balance at the end of the financial year		1829908	2603725	1829908	2602999
<b>Long-term investments revaluation reserve</b>						
	Balance at the beginning of the financial year		432868	615916	432868	615744
	Increase from					
	Decrease from					
	Balance at the end of the financial year		432868	615916	432868	615744
<b>Accumulations</b>						
	Balance at the beginning of the financial year		586037	833856	586037	833623
	Increase from					
	Decrease from					
	Balance at the end of the financial year		586037	833856	586037	833623
<b>Retained earnings</b>						
	Balance at the beginning of the financial year		-1567695	-2230630	-1632432	-2322094
	Profit or losses of the financial year		11563	16453	64740	92091
	Dividends					
	Included in accumulations					
	Balance at the end of the financial year		-1556132	-2214176	-1567692	-2230003
<b>Stockholder's equity (total)</b>						
	Balance at the beginning of the financial year		<b>1281118</b>	<b>1822867</b>	<b>1216381</b>	<b>1730272</b>
	Balance at the end of the financial year		<b>1292681</b>	<b>1839320</b>	<b>1281121</b>	<b>1822363</b>

G. Lipinsh  
 Chairman of the board of directors



"VEF" JSC  
**CASH FLOW STATEMENT**  
**FOR YEAR, WHICH ENDS ON DECEMBER 31, 2005.**

	2005 LVL	2005 EUR	2004 LVL	2004 EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Profit before outstanding items and taxes (+); losses (-)	25715	36589	78588	111790
<b>Adjustments:</b>				
Fixed assets depreciation (+)	43963	62554	28049	39899
Intangible assets depreciation (+)	5	7		
Profit or losses from exchange rates' fluctuation (-/+)	13	19	1708	2430
Income from long-term securities and loans	-57	-81	-157414	-223918
Financial services income	-219	-312	-9955	-14161
Long-term financial investments and short-term securities value depreciation	3200	4553	145963	207629
Financial services expenses	42864	60990	4480	6373
Depreciated cost of fixed assets sold			60497	86056
Income from fixed assets sell			-174590	-248350
<b>Profit or losses before adjustments from current assets and liabilities</b>	<b>115484</b>	<b>164319</b>	<b>-22674</b>	<b>32252</b>
<b>Adjustments:</b>				
Debtors: increase (-); decrease (+)	61554	87584	-139294	-198142
Inventory: increase (-); decrease (+)	675	960	38455	54701
Liabilities: increase (+); decrease (-)	1617045	2300848	1167584	1660859
<b>Gross cash provided by operating activities</b>	<b>1794758</b>	<b>2553711</b>	<b>1044071</b>	<b>1485166</b>
Payments for financial services	-42864	60990	-4480	-6373
Income tax payments				
<b>Net cash provided by operating activities before outstanding items:</b>	<b>1751894</b>	<b>2492721</b>	<b>1039591</b>	<b>1478793</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities:</b>	<b>1751894</b>	<b>2492721</b>	<b>1039591</b>	<b>1478792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Fixed assets purchase	-1723449	-2452247	-2372808	-3375261
Income from fixed assets sell			174590	248350
Interest received	219	312	9955	14161
Dividends received			25412	36148
<b>Net cash used in investing activities:</b>	<b>-1723230</b>	<b>-2451935</b>	<b>-2162851</b>	<b>-3076602</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Income from investments in fixed capital	57	81		
Borrowings received			1235654	1757687
Grants and donations received	3956	5629	21055	29950
Expenses for borrowings repayment	-22850	-32513	-40000	-56899
<b>Net cash provided by financing activities:</b>	<b>-18837</b>	<b>-26803</b>	<b>1216709</b>	<b>1730738</b>
<b>Exchange rate fluctuation result:</b>	<b>13</b>	<b>19</b>	<b>-1708</b>	<b>-2430</b>
<b>Net cash flow</b>	<b>9840</b>	<b>14001</b>	<b>91741</b>	<b>130499</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>225878</b>	<b>321395</b>	<b>134137</b>	<b>190807</b>
<b>CASH AT END OF YEAR</b>	<b>235718</b>	<b>335397</b>	<b>225878</b>	<b>321306</b>

G. Lipinsh   
Chairman of the board of directors

“VEF” JSC  
FINANCIAL STATEMENTS’ APPENDIXES  
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2005.

The following exchange rates for the 31st of December are used:

	31.12.2005	31.12.2004
USD	0,593	0,516
EUR	0,702804	0,703

Received net profit or losses as a result of foreign currency exchange rate fluctuations is shown in the profit and losses account of the respective period.

***Long-term and short-term items***

Long-term items include amounts, whose receiving, discarding or payment terms become due more than 1 year after the end of the respective financial year. Amounts that are due to be received, paid or discarded during the next year, are included in short-term items.

***Fixed assets and nonmaterial investment depreciation***

Fixed assets and non-material investments are shown by purchase price minus depreciation. Depreciation is calculated on the straight-line basis, using as a basis the following rates:

<b>Fixed assets</b>	
Property	1%
Equipment and machinery	20%
Other fixed assets	25%

***Income tax***

Income tax for the financial year consists of calculated tax and deferred tax. Income tax is included in the profit and losses account.

Income tax for the financial year is calculated according to the law “On the income tax of Undertakings”, determining taxable income and using 15% rate, set by the law.

Deferred income tax is calculated for the difference between assets and liabilities value in the financial statements and assets and liabilities value for tax purposes. Deferred income tax is calculated using 15% rate, set by the law. The above-mentioned difference mainly comes from the different fixed assets depreciation rates used in the financial and tax accounting. Increase of provisions for bad receivables is not taken into account, calculating deferred income tax, due to mere caution principle.

***Kredit line***

There is a credit line opened in JSC “SEB Latvijas Unibanka”. It is included in the long-term liabilities and the balance at the end of the financial year is 2691060 LVL (3829033 EUR).



**DA** Doma Audits SIA

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## AUDITOR'S REPORT


To  
**joint stock company**  
**"VEF"**  
**stockholders**

We have audited the 2005 financial statements of Joint Stock Company "VEF" that are presented from pages 1. to 26. The audited financial statements include balance sheet of Joint Stock Company "VEF" as of December 31, 2005, the related profits and losses account for 2005, cash flow statement, net worth statement, report of the management and appendixes. The management of Joint Stock Company "VEF" is responsible for these financial statements. We are responsible for our opinion on these financial statements, based on our audit.

We conducted our audit in accordance with International Standards of Auditing issued by the International Bookkeeper federation. Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining of the amounts, shown in the financial statements, and other included in the financial statements information, on a test basis. The audit also includes assessment of the accounting principles in use and assessment of significant assumptions made by the company's management, as well as evaluation of the overall content of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present clear and fair overview of the financial condition of Joint Stock Company "VEF" as of December 31, 2005, the results of their operations and their cash flow in 2005, in conformity with the Latvian Republic Law "On the Annual Accounts of Undertakings".

We have also examined the report of the management for the year of 2005 that is on page 2. of the enclosed 2005 financial statements, and we did not reveal essential contradictions between financial information, shown in this report of the management, and information, shown in the 2005 financial statements.

  
Olga Millere  
personal code 131241-10723  
Sworn Auditor, Certificate Nr. 40  
"DOMA AUDITS" Ltd., license Nr. 41

Riga, 11 of April, 2006