



JSC VEF, Brīvības gatve 214, Rīga, LV-1039



JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

NON- AUDITED FINANCIAL STATEMENTS
For the period ended on June 30, 2007

Prepared in accordance with International Financial Reporting
Standards (IFRS), as adopted by the European Union (EU)



CONTENTS

General information

Report on the Management Board's responsibility

Balance sheet

Income statement

Cash flow statement

Statement of changes in equity

Notes to the financial statement



Report on the Management Board's responsibility to the non-audited financial statement of JSC „VEF” for the six months of 2007

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the middle-term financial statements of the Company. The middle-term financial statements are not audited.

Middle-term financial statements are prepared based on justifying documents and represent true and clear overview on the Company's Assets and Equity and Liabilities, its financial standing and results of activity as well as cash flows within the reporting period ended on June 30, 2007.

Middle-term financial statements are prepared according to the EU approved International Standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of the middle-term financial statements have not been changed comparing to the previous reporting period. During preparation of the middle-term financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the middle-term management's report is true.

The Management Board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violation within the Company.

On behalf of the Management Board of JSC „VEF”,

Gints Feņuks
Chairman of the Management Board



GENERAL INFORMATION

Title of enterprise	Joint stock company VEF
Legal type of enterprise	Public joint stock company
Registered:	On April 15, 1991 in the Register of Enterprises of the Republic of Latvia, re-registered on December 7, 2000 with Nbr. 000300132 On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328
Taxpayers' Reg. Nbr.	LV 40003001328
Legal address	Brīvības gatve 214, Rīga, LV-1039, Republic of Latvia phone: 7270618, fax: 7552201
Equity capital ¹ :	Ls 1829908 as on March 31, 2007
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Shareholders ² :	As on June 30, 2007: *VEF KOMUNIKĀCIJU SERVISS SIA- 44.87% or 821 071 shares; *FUND ADMINISTRATE LLC - 14.34% or 262 326 shares; *State Social Insurance Agency - 5.33 % or 97 582 shares; *Other shareholders - 35.46% or 648 929 shares:
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS (personal code 260568-11802)
Members of the Board:	TAMĀRA KAMPĀNE (personal code 270952-10924) AIVARS VĪTOLIŅŠ (personal code 260158-13123) PĒTERIS AVOTIŅŠ (personal code 300670-11300)
Members of the Supervisory Council:	ANDRIS DENIŅŠ (personal code 230757-11563) INTS KALNIŅŠ (personal code 201169-11286) GUNTIS LIPIŅŠ (personal code 190547-10703) JĀNIS LĀMA (personal code 120776-11669)
Period of account:	01.01.2007. - 30.06.2007.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registered equity capital

² Equity capital of the Company is divided into 1 829 908 common shares
Nominal value of a common share is 1 LVL (one Latvian lat).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	87	92	124	131
Total intangible assets	87	92	124	131
Fixed Assets				
Land, buildings and other property	4 253 790	3629556	6052598	5144393
Equipment and machinery	28 649	57138	40764	81300
Other fixed assets and inventory	15 138	8504	21539	12100
Construction in progress		615780		876176
Total fixed assets	4 297 577	4310978	6114901	6133969
Total long-term investments	4 297 664	4311070	6115025	6134100
Current assets				
Inventory				
Goods for sale		13388		19050
Total inventory		13388		19050
Debtors				
Customers and client debts	147 869		210 399	
Other debtors	42 854	234325	60976	333414
Future period expenses	14 876	13097	21167	18635
Accrued income		17324		24650
Total debtors	205 599	264746	292542	376699
Cash	49 420	81832	70318	116437
Total Current assets	255 019	359966	362859	512186
TOTAL ASSETS	4 552 683	4671036	6477884	6646286



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 829 908	1829908	2603724	2603724
Long-term investments revaluation reserve	432 868	432868	615916	615916
Accumulations :				
other accumulations		586037		833856
Total accumulation				
Retained earnings from the previous years	-956 253	-1 556 131	-1360625	-2214175
Retained earnings of the financial years	4 911	-11166	6988	-15887
Total stockholder's equity	1 311 434	1 281 516	1866003	1823434
PROVISIONS				
Other provisions	5 398		7681	
Total stockpiles	5 398		7681	
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 812 317	2 859 950	4001567	4069342
Prepayments from buyers	33 814	49687	48113	70698
Other liabilities	146032	223423	207785	317902
Deferred tax liability	60733		86415	
Total long-term liabilities	3 052 896	3 133 060	4343880	4457942
Current liabilities				
Borrowings from credit institutions	106 603		151682	
Accounts payable	27 634	227751	39320	324060
Taxes and social security payments	803		1143	
Other liabilities	28 457	4388	40491	6244
Future period income	19 458	24321	27686	34606
Total current liabilities	182 955	256 460	260322	364910
Total liabilities	3 235 851	3 389 520	4604201	4822852
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY				
	4 552 683	4 671 036	6477884	6646286

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON JUNE 30, 2007.**

		LVL 30.06.2007	LVL 30.06.2006	EUR 30.06.2007 - 0.702804	EUR 30.06.2007 - 0.702804
1	2	4	5	4	5
Net turnover		403 853	325 064	574 631	462 524
Cost of goods sold	1	-269 531	- 178 166	-383 508	- 253 507
Gross profit		134 322	146 898	191 123	208 017
Selling expenses					
Administrative expenses	2	-30 952	- 41 983	-44 041	- 56 736
Other income from operations	3	20 152	- 14 634	28 674	- 20 822
Other expenses from operations	4	-1 436	- 3 686	-2 043	- 5 245
Financial services income	5	1 452	202	2 066	287
Financial services expenses	6	-82 101	- 81 186	-116 819	- 115 517
Profit before taxes		41 437	5 611	58 960	7 984
Other taxes	7	-16 526	- 16 777	-23 514	- 23 872
Deferred tax		-20 000		-28 457	
Net profit		4 911	- 11 166	6 988	- 15 887

Earnings per share (EPS)
EPS on 30.06.2007-0.00268
LVL- 0.00382 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



JSK "VEF":LV40003001328

CASH FLOW STATEMENT FOR YEAR, WHICH ENDS ON JUNE 30,2007.

	2007 30.06. LVL	2006 30.06. LVL	2007 30.06. EUR 0.702804	2006 30.06. EUR 0.702804
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	41 437	-11 166	58 960	-15 887
<i>Adjustments:</i>				
fixed assets depreciation (+)	73 814	29 552	105 028	42 049
intangible assets depreciation (+)	1		1	
increase/decrease in provisions	5 398		7 681	
profit or losses from exchange rates fluctuation (+/-)	-197	-29 446	-280	-41 898
financial service income	1 452	202	2 066	287
financial services income	82 101	81 186	116 819	115 517
<i>Profit or losses before adjustments from current assets and liabilities</i>	204 006	70 328	290 274	100 068
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	59 147	-57 931	84 159	-82 428
inventory: increase (-); decrease (+)	13 388	1 071	19 049	1 524
liabilities: increase (-); decrease (+)	-153 669	1 467 411	-218 561	2 087 938
				1 383
<i>Gross cash provide by operating activities</i>	122 872	1 480 879	174 831	2 107 101
Payments for financial	-82 101	-81 186	-116 819	-115 517
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	40 771	1 399 693	58 012	1 991 585
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	376 549	1 399 693	58 012	1 991 585
CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-9 614	-1 166 322	-13 680	-1 659 527
Interest received	1 452	202	2 066	287
Net cash used in investing activities :	-8 162	-1 166 120	-11 614	-1 659 240
CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment		-227 274		-323 382
Net cash provided by financing activities :	0	-227 274	0	-323 382
Exchange rate fluctuation result :	-197	-29 446	-280	-41 898
Net cash flow	32 412	-23 147	46 118	-32 935
CASH AT BEGINNING OF YEAR	81 832	109 979	116 437	149 372
CASH AT END OF YEAR	49 420	81 832	70 318	116 437

Gints Feņuks

paraksts

Tamāra Kampāne

paraksts

STATEMENT OF CHANGES IN EQUITY FOR YEAR,
WHICH ENDS ON JUNE 30, 2007.

	30.06.2007 LVL	30.06.2006 LVL	30.06.2007 EUR 0.702804	30.06.2006 EUR 0.702804
Stockholder's equity				
	Balance at the beginning of the financial year	1829908	1829908	2603724
	Increase from			
	Decrease from			
	Balance at the end of the financial year	1829908	1829908	2603724
Long-term investments revaluation reserve				
	Balance at the beginning of the financial year	432868	432868	615916
	Increase from			
	Decrease from			
	Balance at the end of the financial year	432868	432868	615916
Accumulations				
	Balance at the beginning of the financial year		586037	833855
	Increase from			
	Decrease from			
	Balance at the end of the financial year		586037	833855
Retained earnings				
	Balance at the beginning of the financial year	-956253	-1556131	-1360625
	Profit or losses of the financial year	4911	-11166	6988
	Dividends			
	Included in accumulations			
	Balance at the end of the financial year	-951342	-1567297	-1353637
Stockholder's equity (total)				
	Balance at the beginning of the financial year	1281516	1292682	1823434
	Balance at the end of the financial year	1311434	1281516	1866003

Chairman of the Board _____ Gints Feņuks
Member of the Board _____ Tamāra Kampāne



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON JUNE 30, 2007**

1. ACCOUNTING AND ASSESSMENT METHODS – COMMON PRINCIPLES

Basis for financial statements preparation

Financial statements are being prepared in compliance with Latvian laws “On bookkeeping” and “On the Annual Accounts of Undertakings”.

Profit and losses account is prepared according to the turnover method. Accounting policy provides the financial statements give information that is appropriate for their users to make decisions and conclusions. The policy is reliable. The financial statements correctly reveal the financial condition and operating results of the company – showing not only legal side of transactions, but also their economical matter, and are complete in all essential aspects.

Accounting principles used

The items of the financial statements are valued according to the following accounting principles:

- a) it is assumed that the company will operate in the future;
- b) assessment methods used are the same as used in the previous financial year;
- c) assessment is made with mere caution:
 - only profit earned before the date of the annual report is included in the financial statements
 - all projected risk amounts and losses that appeared in the financial year or in the previous years are taken into account, even those which became known in the period of time between the date of the annual report and the day when the financial statements are drawn up
 - all value decreases and depreciation amounts are calculated and taken into account, regardless of the financial year result (profit or losses)
- d) revenues and expenditures connected with the financial year are taken into account, regardless of payment date and invoice receiving or writing out date;
- e) assets and liabilities and net worth items have been assessed independently;
- f) the initial balance sheet of the financial year coincides with the previous financial year final balance sheet;
- g) all items that have an essential influence on the financial statements' users evaluation or decision taking have been taken into account, non-significant items have been combined and they are shown in details in the appendixes to the financial statements;
- h) business operations during the financial year are shown by their economical content and nature instead of their legal form.

Financial year

Financial year is 03 months, from 01.01.2007 to 30.06.2007.

Money and foreign currency revaluation

Amounts shown in these financial statements are in Latvian national currency – lats (LVL).

All monetary assets and liabilities are recalculated to lats, using the official exchange rate of the Latvian Bank that is set on the last day of the financial year.

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:

Fixed assets	
Property	3%
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.

Credit 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 period is 2 918 920 LVL (4 153 249 EUR).



(1) Net turnover

Turnover consists of revenues that the Company gained in the first six months of 2007 from its core business-service provision without VAT

Type of commercial operations	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
selling and servicing various electronic equipment		1517		
power supply, distribution and servicing	88706	93456	126217	132976
water supply and sewage services	5578	2718	7937	3867
office renting service	244128	187641	347363	266989
utility services	65441	41249	93114	58692
Total	403853	325064	574631	462524

Distribution of net turnover by geographical markets

Country	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
Latvia	403853	325064	574631	462524
Total	403853	325064	574631	462524

(2) Cost of sales

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
personnel	23977	17356	34116	24695
depreciation	73814	29552	105028	42049
transport	5107		7267	
other outstanding costs	96314	74272	137043	105680
personnel training	161	76	229	108
telecommunication service	1153	967	1641	1376
other costs tied to commercial operations	35885	23451	51060	33368
insurance (buildings)	2996	3068	4263	4365
maintenance of buildings 1 and 1a	29237	23768	41601	33819
land rent to LPA	886	5656	1261	8048
depreciation of license	1		1	
Total	269531	178166	383508	253507

(3) Costs of administration

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
personnel	21791	32962	31006	46901
telecommunication service	577	829	821	1180
office supplies	718	488	1022	694
cash turnover expenses	93	93	132	132
transport expenses for administrative needs	5107	5050	7267	7186
representative expenses	152	61	216	87
legal assistance or raid	14		20	
RFB annual fee	2500	2500	3557	3557
Total	30952	41983	44041	59736

**(4) Other revenues from commercial operation**

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
disposal of fixed assets		11494		16355
finances	127	494	181	703
1/5 of revenue from writing-off PS purchase	673	540	958	768
1/5 from financial support given for Gold equipment	1488	1861	2117	2648
other revenues	16577		23587	
insurance recompense	1287		1831	
revenues from changes in currency rates		423		602
losses from changes in currency rates		-29446		-41897
Total	20152	-14634	28674	-20822

(5) Other costs of commercial operations

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
losses from changes in currency rates	197		280	
40% of representative costs	101	41	144	58
donations to Latvian orphans fund	155			221
allowances and bonuses	983	983	1399	1399
depreciation of the car Renault Laguna		2662		3788
Total	1436	3686	2043	5245

(6) Other revenues from interests or similar sources

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
interest from balances of accounts	1452	202	2066	287
Total	1452	202	2066	287

(7) Payments of interest and similar expenses

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
credit interests	76410	76592	108722	108982
interest to LPA for long term buy-out of land	5691	4594	8097	6537
Total	82101	81186	116819	115517

(8) Other taxes

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
real estate tax (buildings)	15144	15378	21548	21881
real estate tax (land)	1382	1399	1966	1991
Total	16526	16777	23514	23872



JSC VEF, Brīvības gatve 214, Rīga, LV-1039