



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 September 30, 2007

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



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Report on the Management Board's responsibility to the non-audited financial statement of JSC „VEF” for the nine 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 september 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 september 30, 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. - 30.09.2007.
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
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	86	91	122	130
Total intangible assets	86	91	122	130
Fixed Assets				
Land, buildings and other property	4 284 538	3 621 044	6 096 348	5 152 281
Equipment and machinery	26 032	52 335	37 040	74 466
Other fixed assets and inventory	13 624	7 877	19 385	11 208
Construction in progress		633 915		901 980
Total fixed assets	4 324 194	4 315 171	6 152 773	6 139 935
Total long-term investments	4 324 280	4 315 262	6 152 895	6 140 065
Current assets				
Inventory				
Goods for sale		13 144		18 702
Total inventory		13 144		18 702
Debtors				
Customers and client debts	165 299		235 199	
Other debtors	21 779	147 147	30 989	209 371
Future period expenses	12 232	17 318	17 405	24 641
Accrued income				
Total debtors	199 310	164 465	283 593	234 012
Cash	34 838	126 834	49 570	180 469
Total Current assets	234 148	297 552	333 163	433 183
TOTAL ASSETS	4 558 428	4 619 705	6 486 059	6 573 248



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 829 908	1 829 908	2 603 724	2 603 724
Long-term investments revaluation reserve	432 868	432 868	615 916	615 916
Accumulations :				
other accumulations		586 037		833 856
Total accumulation				
Retained earnings from the previous years	-956 253	-1 556 131	-1 360 625	-2 214 175
Retained earnings of the financial years	-28 255	2 368	-40 203	3 369
Total stockholder's equity	1 278 268	1 295 050	1 818 812	1 842 690
PROVISIONS				
Other provisions	5 398		7 681	
Total stockpiles	5 398		7 681	
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 705 714	2 492 625	3 849 884	3 546 686
Prepayments from buyers	33 814	31 998	48 113	45 529
Other liabilities	121 204	177 905	172 458	253 136
Deferred tax liability	167 647		238 540	
Total long-term liabilities	3 028 379	2 702 528	4 308 995	3 845 351
Current liabilities				
Borrowings from credit institutions	159 905	360 381	227 524	512 776
Accounts payable	26 882	200 855	38 250	285 791
Taxes and social security payments				
Other liabilities	41 221	37 470	58 6521	53 315
Future period income	18 375	23 421	26 145	33 325
Total current liabilities	246 383	622 127	350 571	885 207
Total liabilities	3 274 762	3 324 655	4 659 566	4 730 558
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY				
	4 558 428	4 619 705	6 486 059	6 573 248

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON SEPTEMBER
30.2007.**

		LVL 30.09.2007	LVL 30.09.2006	EUR 30.09.2007 - 0.702804	EUR 30.09.2007 - 0.702804
1	2	4	5	4	5
Net turnover		630 039	485 502	896 465	690 807
Cost of goods sold	1	-341 393	-256 614	-383 508	- 365 129
Gross profit		288 646	228 888	410 706	325 678
Selling expenses					
Administrative expenses	2	-44 163	- 61 350	-62 838	- 87 293
Other income from operations	3	4 675	- 16 541	6 652	- 23 536
Other expenses from operations	4	-2 439	-4 068	-3 470	- 5 788
Financial services income	5	1 532	266	2 180	379
Financial services expenses	6	-125 493	-120 152	-178 560	- 170 960
Profit before taxes		122 758	27 043	174 669	38 478
Other taxes	7	-24 088	- 24 675	-34 290	- 35 109
Deferred tax		-126 914		-180 582	
Net profit		-28 255	2 368	-40 203	3 369

Earnings per share (EPS)
EPS on 30.09.2007-0.0000
LVL- 0.0000 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2007

	2007 30.09.	2006 30.09.	2007 30.09. EUR 0.702804	2006 30.09. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	122 758	27 043	174 669	38 479
<i>Adjustments:</i>				
fixed assets depreciation (+)	47 710	44 132	67 885	62 794
intangible assets depreciation (+)	2		3	
increase/decrease in provisions	5 398		7 681	
profit or losses from exchange rates fluctuation (+/-)	-204	-31 007	290	-44 119
financial service income	1 532	266	2 180	378
financial services income	125 493	120 152	178 561	170 961
<i>Profit or losses before adjustments from current assets and liabilities</i>	302 689	160 586	430 688	228 493
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	29 447	170 662	41 899	242 830
inventory: increase (-); decrease (+)	13 144	1 315	18 702	1 871
liabilities: increase (-); decrease (+)	-49 893	1 645 540	-70 991	2 341 393
<i>Gross cash provide by operating activities</i>	295 387	1 978 103	420 298	2 814 587
Payments for financial	124 493	120 152	177 138	170 961
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	419 880	1 857 951	597 435	2 643 626
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	419 880	1 857 951	597 435	2 643 626
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-316 762	-1 554 298	-450 711	-2 211 567
Interest received	2 233	266	3 177	378
Net cash used in investing activities :	-314 529	-1 554 032	-447 534	-2 211 189
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-197 143	-198 435	-280 509	-282 348
Net cash provided by financing activities :	-197 143	-198 435	-280 509	-282 348
IV. Exchange rate fluctuation result :	-204	-31 007	-290	-44 119
Net cash flow	-91 996	74 477	-130 899	105 972
CASH AT BEGINNING OF YEAR	126 834	52 357	180 469	74 497
CASH AT END OF YEAR	34 838	126 834	49 570	180 469

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
SEPTEMBER 30, 2007**

	30.09.2007 LVL	30.09.2006 LVL	30.09.2007 EUR 0.702804	30.09.2006 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 829 908	1 829 908	2 603 724	2 603 724
Increase from				
Decrease from				
Balance at the end of the financial year	1 829 908	1 829 908	2 603 724	2 603 724
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	432 868	432 868	615 916	615 916
Increase from				
Decrease from				
Balance at the end of the financial year	432 868	432 868	615 916	615 916
Accumulations				
Balance at the beginning of the financial year		586 037		833 855
Increase from				
Decrease from				
Balance at the end of the financial year		586 037		833 855
Retained earnings				
Balance at the beginning of the financial year	-956 253	-1 556 131	-1 360 625	-2 214 175
Profit or losses of the financial year	-28 255	2 368	-40 203	3 369
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-984 508	-1 553 763	-1 320 422	-2 214 176
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 295 050	1 292 682	1 842 690	1 839 321
Balance at the end of the financial year	1 278 268	1 295 050	1 818 812	1 842 690



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON SEPTEMBER 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 09 months, from 01.01.2007 to 30.09.2007.

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	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.

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 2 865 618 LVL (4 077 407 EUR).

**(1) Net turnover**

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

Type of commercial operations	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
equipment				
power supply, distribution and servicing	139 667	120 889	198 728	172 010
water supply and sewage services	8 011	11 012	11 399	15 669
office renting service	369 275	288 275	525 431	410 177
utility services	113 086	65 326	160 907	92 951
Total	630 039	485 502	896 465	690 807

Distribution of net turnover by geographical markets

Country	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
Latvia	630 039	485 502	896 465	690 807
Total	630 039	485 502	896 465	690 807

(2) Cost of sales

	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
personnel	40 408	27 222	57 495	38 733
depreciation	47 710	44 132	67 885	62 794
transport	6 845		9 740	
other outstanding costs	136 222	103 011	193 826	146 571
personnel training	279	76	397	108
telecommunication service	1 348	1 292	1 918	1 838
other costs tied to commercial operations	59 226	35 306	84 271	50 236
insurance (buildings)	3 192	5 198	4 542	7 396
maintenance of buildings 1 and 1a	44 389	33 984	63 160	48 355
land rent to LPA	1 772	5 667	2 521	8 063
depreciation of license	2		3	
Total	341 393	256 614	485 759	325 678

(3) Costs of administration

	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
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personnel	30 657	50 090	43 621	71 272
telecommunication service	1 347	1 300	1 917	1 850
office supplies	1 219	897	1 735	1 276
cash turnover expenses	137	141	195	201
transport expenses for administrative needs	6 844	5 099	9 738	7 255
representative expenses	195	73	278	104
legal assistance or raid	14		20	
RFB annual fee	3 750	3 750	3557	3557

Total	44 163	61 350	62 838	87 293
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(4) **Other revenues from commercial operation**

	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
disposal of fixed assets		10 214		14 533
finances	138	650	196	925
1/5 of revenue from writing-off PS purchase	1 010	810	1437	1 153
1/5 from financial support given for Gold equipment	2 233	2 792	3 177	3 973
other revenues				
insurance recompense	1287		1 832	
revenues from changes in currency rates	7		10	
losses from changes in currency rates		-31 077		-4

Total	4 675	-16 541	6 652	-23 536
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(5) **Other costs of commercial operations**

	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
losses from changes in currency rates	204		290	
40% of representative costs	130	49	185	70
donations to Latvian orphans fund	255		363	
allowances and bonuses	1 850	4 019	2 632	5 718

Total	2 439	4 068	3 470	5 788
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(6) **Other revenues from interests or similar sources**

	2007.09.30 LVL	2006.09.30 LVL	2007.09.30 EUR	2006.09.30 EUR
interest from balances of accounts	1 532	266	2 180	379



Total	1 532	266	2 180	379
<hr/>				
(7) Payments of interest and similar expenses				
	2007.09.30	2006.09.30	2007.09.30	2006.09.30
	LVL	LVL	EUR	EUR
<hr/>				
credit interests	116 388	112 144	165 605	159 566
interest to LPA for long term buy-out of land	9 105	8 008	12 955	11 394
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Total	125 493	120 152	178 560	170 960
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(8) Other taxes				
	2007.09.30	2006.09.30	2007.09.30	2006.09.30
	LVL	LVL	EUR	EUR
<hr/>				
real estate tax (buildings)	22 716	23 067	32 322	32 821
real estate tax (land)	1383	1 608	1 968	2 288
<hr/>				
Total	24 099	24 675	34 290	35 109
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