



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



JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

NON- AUDITED FINACIAL STATEMENTS
For the period ended on December 31, 2007

**Prepared in accordance with International Financial Reporting
Standards (IFPS), 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 twelve 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 december 31, 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 december 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. - 31.12.2007.
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
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	84	90	120	128
Total intangible assets	84	90	120	128
Fixed Assets				
Land, buildings and other property	4 274 270	4 315 346	6 081 738	6 140 184
Equipment and machinery	23 414	33 885	33 315	48 214
Other fixed assets and inventory	16 517	19 715	23 502	28 052
Construction in progress				
Total fixed assets	4 314 201	4 368 946	6 138 555	6 216 450
Total long-term investments	4 314 285	4 369 036	6 138 675	6 216 578
Current assets				
Inventory				
Goods for sale				
Total inventory				
Debtors				
Customers and client debts	142 703	20 005	203 048	28 465
Other debtors	16 247	84 078	23 117	119 632
Future period expenses	9 904	14 820	14 092	21 087
Accrued income	32 380	25 220	46 073	35 885
Total debtors	201 234	144 123	286 330	205 069
Cash	16 005	153 233	22 773	218 031
Total Current assets	217 239	297 356	309 103	423 009
TOTAL ASSETS	4 531 524	4 666 392	6 447 778	6 639 678



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
			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	438 390	432 868	623 773	615 916
Accumulations :				
other accumulations		586 037		833 856
Total accumulation				
Retained earnings from the previous years	-956 252	-1 556 131	-1 360 624	-2 214 175
Retained earnings of the financial years	-26 974	13 842	-38 380	19 695
Total stockholder's equity	1 285 072	1 306 524	1 828 493	1 859 016
PROVISIONS				
Other provisions	7 701	5 398	10 958	7 681
Total stockpiles	7 701	5 398	10 958	7 681
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 599 110	2 777 492	3 698 200	3 952 014
Prepayments from buyers	33 814	32 882	48 113	46 787
Other liabilities	92 398	147 263	131 471	209 536
Deferred tax liability	186 184	40 733	264 916	57 958
Total long-term liabilities	2 911 506	2 998 370	4 142 700	4 266 296
Current liabilities				
Borrowings from credit institutions	213 207	248 032	303 366	352 918
Accounts payable	39 963	33 121	56 862	47 127
Taxes and social security payments	1 548	881	2 203	1 254
Other liabilities	55 232	52 448	76 588	74 627
Future period income	17 295	21 618	24 609	30 760
Total current liabilities	327 245	356 100	465 628	514 365
Total liabilities	3 246 452	3 354 470	4 619 285	4 772 981
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 531 524	4 666 392	6 447 778	6 639 678

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2007.**

		LVL 31.12.2007	LVL 31.12.2006	EUR 31.12.2007 - 0.702804	EUR 31.12.2007 - 0.702804
1	2	4	5	4	5
Net turnover		851 303	678 724	1 211 295	965 737
Cost of goods sold	1	-472 434	-345 450	- 672 213	-491 531
Gross profit		378 869	333 274	539 082	474 206
Selling expenses					
Administrative expenses	2	-65 553	-77 811	-93 274	-110 715
Other income from operations	3	5 836	23 958	8 304	34 089
Other expenses from operations	4	- 3 314	-63 946	- 4715	-90 987
Financial services income	5	5 396	924	7 678	1 315
Financial services expenses	6	- 171 130	-129 670	-243 496	- 184 504
Profit before taxes		150 104	86 729	213 579	123 404
Other taxes	7	-31 627	-32 154	-45 001	-45 751
Deferred tax		-145 451	-40 733	- 206 958	-57 958
Net profit		- 26 974	13 842	- 38 380	19 695

Earnings per share (EPS)
EPS on 31.12.2007-0.0000
LVL- 0.0000 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2007

	2007 31.12. LVL	2006 31.12. LVL	2007 31.12. EUR 0.702804	2006 31.12. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	150 104	86 729	213 579	123 404
<i>Adjustments:</i>				
fixed assets depreciation (+)	63 774	60 749	90 742	86 438
intangible assets depreciation (+)	5	5	7	7
increase/decrease in provisions	2 303	5 398	3 277	7 681
profit or losses from exchange rates fluctuation (+/-)	-154	-32 889	- 219	-46 797
financial service income	5 396	924	7 678	1 315
financial services income	171 130	129 670	243 496	184 343
<i>Profit or losses before adjustments from current assets and liabilities</i>	392 558	250 586	558 560	356 391
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	- 57 111	51 566	81 262	73 372
inventory: increase (-); decrease (+)		13 685		19 472
liabilities: increase (-); decrease (+)	-108 018	189 332	-153 696	269 395
<i>Gross cash provide by operating activities</i>	227 429	505 169	323 602	718 791
Payments for financial	- 159 641	- 129 670	-227 149	-184 504
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	67 788	375 499	96 454	534 126
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	67 788	375 499	96 454	534 126
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase		-715 218		-1 017 664
Interest received	5 396	924	7 678	1 315
Net cash used in investing activities :	5 396	- 714 294	7 678	- 1 016 349
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital		537 231		764 411
Borrowings received	2 949		4 196	
Grants and donations received	-213 207	-248 032	-303 366	-352 918
Expenses for borrowings repayment				
Net cash provided by financing activities :	-210 258	-289 199	-299 170	-411 493
IV. Exchange rate fluctuation result :	-154	-32 889	-219	-46 797
Net cash flom	-137 228	-82 485	-195 258	- 117 366
CASH AT BEGINNING OF YEAR	153 233	235 718	218 031	335 396
CASH AT END OF YEAR	16 005	153 233	22 773	218 031



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2007**

	31.12.2007 LVL	31.12.2006 LVL	31.12.2007 EUR 0.702804	31.12.2006 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	5 522		7 857	
Decrease from				
Balance at the end of the financial year	438 390	432 868	623 773	615 916
Accumulations				
Balance at the beginning of the financial year	586 037	586 037	833 855	833 855
Increase from				
Decrease from	586 037		833 855	
Balance at the end of the financial year		586 037		833 855
Retained earnings				
Balance at the beginning of the financial year	-1 542 289	-1 556 131	-2 194 480	-2 228 404
Profit or losses of the financial year	-26 974	13 842	-38 380	19 695
Dividendes				
Included in accumulations	586 037		833 855	
Balance at the end of the financial year	-983 226	-1 542 289	-1 399 005	-2 194 480
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 306 524	1 292 681	1 859 016	1 839 321
Balance at the end of the financial year	1 285 072	1 306 524	1 828 493	1 859 016



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 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 12 months, from 01.01.2007 to 31.12.2007.

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 2 812 317 LVL (4 001 566 EUR).

**(1) Net turnover**

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

Type of commercial operations	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
equipment	1 280	584	1 821	831
power supply, distribution and servicing	191 551	176 608	272 553	251 291
water supply and sewage services	13 566	6 858	19 303	9 758
office renting service	493 457	492 054	702 126	700 130
utility services	151 449	2 620	215 492	3 728
Total	851 303	678 724	1 211 295	965 737

Distribution of net turnover by geographical markets

Country	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
Latvia	851 303	678 724	1 211 295	965 737
Total	851 303	678 724	1 211 295	965 737

(2) Cost of sales

	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
personnel	57 412	36 354	81 690	51 727
depreciation	63 774	60 754	90 742	86 445
transport	10 269	8 306	15 124	11 818
other outstanding costs	194 880	142 238	277 289	202 386
personnel training	497	102	707	145
telecommunication service	1 861	1 792	2 648	2 550
other costs tied to commercial operations	71 007	38 578	101 034	53 928
insurance (buildings)	5 244	5 721	7 462	8 140
maintenance of buildings 1 and 1a	60 747	49 636	86 435	70 626
land rent to LPA	6 378	1 969	9 075	2 802
depreciation of license	5	5	7	7
Total	472 434	345 456	672 213	491 538

(3) Costs of administration

	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
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personnel	44 872	59 659	63 847	84 887
telecommunication service	1 862	1 791	2 649	2 548
office supplies	1 752	1 244	2 493	1 770
cash turnover expenses	235	187	334	266
transport expenses for administrative needs	10 630	8 306	15 125	11 818
representative expenses	288	173	410	245
legal assistance or raid	14	751	20	1069
RFB annual fee	5 000	5000	7 114	7 114
Audit	900	700	1 281	996
Total	65 553	77 811	93 273	110 713

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

	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
disposal of fixed assets		10 214		14 533
finances	164	669	233	952
1/5 of revenue from writing-off PS purchase	1 347	1 684	1 917	2 396
1/5 from financial support given for Gold equipment	2 977	3 721	4 236	5 295
other revenues		7 670		10 913
insurance recompense	1 287		1 831	
revenues from changes in currency rates	61		87	
losses from changes in currency rates				
Total	5 836	23 958	8 304	34 089

(5) **Other costs of commercial operations**

	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
losses from changes in currency rates	215	32 889	306	46 797
40% of representative costs	167	117	238	166
donations to Latvian orphans fund	355	252	505	359
allowances and bonuses	2 398	1 745	3 412	2 483
Other costs	179	28 943	255	41 182
Total	3 314	63 946	4 716	90 988

(6) **Other revenues from interests or similar sources**

	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
interest from balances of accounts	5 396	924	7 678	1 315



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

Total		5 396	924	7 678	1 315
Payments of interest and similar expenses					
(7)					
		2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
	credit interests	159 641	117 264	227 149	166 852
	interest to LPA for long term buy-out of land	11 489	12 406	16 347	17 652
Total		171 130	129 670	243 496	184 504
(8)	Other taxes	2007.31.12 LVL	2006.31.12 LVL	2007.31.12 EUR	2006.31.12 EUR
	real estate tax (buildings)	30 245	30 755	43 035	43 760
	real estate tax (land)	1 382	1 399	1 966	1 991
Total		31 627	32 154	45 001	45 751