



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 December 31, 2008

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 twelve months of 2008

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, 2008.

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 2 281 922 as on december 31, 2008 Ls 1 829 908 paid and registered equity capital Ls 113 551 subscribed and paid-up amount of equity capital Ls 338 463 subscribed but not paid-up amount of equity capital
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Shareholders ² :	Ls 1 943 459 as on december 31, 2008 subscribed and paid-up amount of equity capital *VEF KOMUNIKĀCIJU SERVISS SIA- 45.55% or 885 272 shares; *Komunikāciju Centrs” SIA - 24% or 466 377 shares; *State Social Insurance Agency - 5.02 % or 97 582 shares; * Tamāra Kampāne - 9.41% or 182 945 shares; * Gints Feņuks - 7.00% or 136 073 shares ; *Other shareholders - 9.02% or 175 210 shares:
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE AIVARS VĪTOLIŅŠ PĒTERIS AVOTIŅŠ
Members of the Supervisory Council:	ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2008. - 31.12.2008.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up equity capital Ls 1 943 459

² Equity capital of the Company is divided into 2 281 921 common shares
Nominal value of a common share is 1 LVL (one Latvian lat).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions,patents,licences	79	84	112	120
Total intangible assets	79	84	112	120
Fixed Assets				
Land,buildings and other property	4 233 193	4 274 270	6 023 291	6 081 738
Equipment and machinery	12 943	23 414	18 416	33 315
Other fixed assets and inventory	14 940	16 517	21 258	23 502
Advance payments for fived assets	62 301	94 452	88 646	134 393
Total fixed assets	4 323 377	4 408 653	6 151 611	6 272 948
Total long-term investments	4 323 456	4 408 737	6 151 723	6 273 068
Current assets				
Inventory				
Goods for sale				
Total inventory	0	0	0	0
Debtors				
Customers and client debts	31 319	36 996	44 563	52 460
Other debtors	22 277	27 736	31 697	39 465
Future period	29 758	32 380	42 342	46 073
Future period expenses	10 322	9 904	14 687	14 092
Subscribed but not paid-up amount of equity capital	338 463		481 589	
Total debtors	432 139	107 016	614 878	152 270
Cash	61 757	16 005	87 872	22 773
Total Current assets	493 896	123 021	702 750	175 043
TOTAL ASSETS	4 817 352	4 531 758	6 854 474	6 448 111



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
			0.702804	0.702804
Stockholder's Equity				
Common stock	2 281 922	1 829 908	3 246 882	2 603 724
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-928 449	-956 253	-1 321 064	-1 360 626
Retained earnings of the financial years	26 361	27 804	37 508	39 562
Total stockholder's equity	1 818 223	1 339 849	2 587 098	1 906 433
PROVISIONS				
Other provisions	10 168	7 701	14 468	10 958
Total provisions	10 168	7 701	14 468	10 958
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 385 903	2 599 110	3 394 834	3 698 200
Prepayments from buyers	66 232	33 814	94 240	48 113
Other liabilities	44 731	92 398	63 646	131 471
Deferred tax liability	138 078	130 668	196 467	185 924
Total long-term liabilities	2 634 944	2 855 990	3 749 187	4 063 708
Current liabilities				
Borrowings from credit institutions	213 207	213 207	303 366	303 366
Accounts payable	65 946	39 963	93 833	56 862
Taxes and social security payments	6 090	2 521	8 665	3 587
Other liabilities	54 938	55 232	78 170	78 588
Future period income	13 836	17 295	19 687	24 609
Total current liabilities	2 999 129	3 184 208	4 267 376	4 530 720
Total liabilities	4 817 352	4 531 758	6 854 474	6 448 111
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 873 990	4 558 428	6 935 063	6 486 059



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2008.**

		LVL 31.12.2008	LVL 31.12.2007	EUR 31.12.2008 0.702804	-	EUR 31.12.2007 0.702804	-
	1	2	4	5	4	5	
Net turnover			897 694	851 303	1 277 304	1 211 295	
Cost of goods sold		1	-590 036	-471 960	-839 546	-671 539	
Gross profit			307 658	379 343	437 758	539 756	
Selling expenses							
Administrative expenses		2	-77 493	-65 552	-110 263	-93 272	
Other income from operations		3	5 998	7 838	8 534	11 153	
Other expenses from operations		4	-18 426	-6 529	-26 218	-9 290	
Financial services income		5	19 155	5 396	27 255	7 678	
Financial services expenses		6	-174 585	-171 130	-248 412	-243 496	
Profit before taxes			62 307	149 366	88 655	212 529	
Other taxes		7	-28 536	-31 627	-40 604	-45 001	
Deferred tax			-7 410	-89 935	-10 543	-127 966	
Net profit			26 361	27 804	37 508	39 562	
Earnings per share (EPS)							
EPS on 31.12.2008-0.01356							
LVL- 0.01930 EUR							

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2008**

	2008 31.12.	2007 31.12.	2008 31.12.	2007 31.12.
	LVL	LVL	EUR 0.702804	EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	62 307	149 366	88 655	212 529
<i>Adjustments:</i>				
fixed assets depreciation (+)	59 796	63 774	85 082	90 742
intangible assets depreciation (+)	5	5	7	7
increase/decrease in provisions	2 467	2 303	3 510	3 277
profit or losses from exchange rates fluctuation (+/-)	-321	154	-457	219
financial service income	19 155	5 396	27 255	7 678
financial services income	174 585	171 130	248 412	243 496
<i>Profit or losses before adjustments from current assets and liabilities</i>				
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-325 123	-37 107	-462 608	-52 798
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-34 377	-103 747	-48 914	-147 619
<i>Gross cash provide by operating activities</i>	-41 506	246 004	-59 058	350 032
Payments for financial	174 585	171 130	248 412	243 496
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	133 079	74 874	189 354	106 536
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	133 079	74 874	189 354	106 536
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-6 672	-4 137	-9 493	-5 886
Interest received	19 155	5 396	27 255	7 678
Subscribed and paid-up amount of equity capital.	113 551		161 569	
Net cash used in investing activities :	126 034	1 259	179 330	1 792
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-213 207	-213 207	-303 366	-303 366
Net cash provided by financing activities :	-213 207	-213 207	-303 366	-303 366
IV. Exchange rate fluctuation result :	-321	-154	-457	-219
Net cash flom	45 752	-137 228	65 099	-195 258
CASH AT BEGINNING OF YEAR	16 005	153 233	22 773	218 031
CASH AT END OF YEAR	61 757	16 005	87 872	22 773

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2008**

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR 0.702804	31.12.2007 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	452 014		643 158	
Decrease from				
Balance at the end of the financial year	2 281 922	1 829 908	3 246 882	2 603 724
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	438 390	432 868	623 773	615 916
Increase from		5 522		7 857
Decrease from				
Balance at the end of the financial year	438 390	432 390	623 773	623 773
Accumulations				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
Retained earnings				
Balance at the beginning of the financial year	-928 449	-956 253	-1 321 064	- 1 360 625
Profit or losses of the financial year	26 361	27 804	37 508	39 562
Dividendes				
Included in accumulations				
Balance at the end of the financial year	- 902 088	-928 449	- 1 283 556	- 1 321 063
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 339 849	1 306 524	1 906 433	1 859 016
Balance at the end of the financial year	1 818 224	1 339 849	2 587 098	1 906 433



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2008**

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 01.01.2008 to 31.12.2008.

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 JSC "SEB banka". It is included in the long-term and short-term liabilities and the balance at the end of the financial period is 2 599 110 LVL (3 698 201 EUR).

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first twelve months of 2008 from its core business-service provision without VAT

Type of commercial operations	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	163 063	191 551	232 018	272 553
water supply and sewage services	10 710	13 566	15 239	19 303
office renting service	557 195	493 457	792 817	702 126
utility services	166 726	151 449	237 230	215 492
Total	897 694	851 303	1 277 304	1 211 295

Distribution of net turnover by geographical markets

Country	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
Latvia	897 694	851 303	1 277 304	1 211 295
Total	897 694	851 303	1 277 304	1 211 295

(2) Cost of sales

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
personnel	90 247	56 836	128 410	80 870
depreciation	59 796	63 774	85 082	90 742
transport	10 075	10 630	14 335	15 125
other outstanding costs	230 674	194 880	328 220	277 289
personnel training	127	497	181	707
telecommunication service	1 721	1 862	2 449	2 648
other costs tied to commercial operations	104 328	71 007	148 445	101 034
insurance (buildings)	4 337	5 244	6 171	7 462
maintenance of buildings 1 and 1a	71 292	60 747	101 439	86 435
land rent to LPA	17 342	6 379	24 675	9 075
depreciation of license	5	5	7	7
other cost		99		141
Total	590 036	471 960	839 546	671 539

**(3) Costs of administration**

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
personnel	55 388	44 872	78 810	63 847
telecommunication service	1 722	1 861	2 450	2 649
office supplies	1 419	1 752	2 019	2 493
cash turnover expenses	221	235	314	334
transport expenses for administrative needs	10 076	10 630	14 337	15 125
representative expenses	214	288	304	410
legal assistance or raid	2 553	14	3 633	20
RFB annual fee	5 000	5 000	7 114	7 114
audit cost	900	900	1 281	1 281
Total	77 493	65 552	110 263	93 272

(4) Other revenues from commercial operation

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 362	164	1 938	233
1/5 of revenue from writing-off PS				
purchase	1 077	1 347	1 532	1 917
1/5 from financial support given for Gold equipment	2 382	2 977	3 389	4 236
other revenues	150	2 063	213	2 935
insurance recompense	1 000	1 287	1 423	1 831
revenues from changes in currency rates	27		38	
Total	5 998	7 838	8 534	11 239

(5) Other costs of commercial operations

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
losses from changes in currency rates	348	154	495	219
40% of representative costs	143	167	203	238
donations to Latvian orphans fund	603	355	858	505
allowances and bonuses	3 032	2 398	4 314	3 412
fines	120	179	171	255
other costs	14 180	3 276	20 176	4 661
Total	18 246	6 529	26 218	9 290



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

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
interest from balances of accounts	19 155	5 396	27 255	7 678
Total	19 155	5 396	27 255	7 678

(7) **Payments of interest and similar expenses**

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
credit interests	167 091	159 641	237 749	227 149
interest to LPA for long term buy-out of land	7 494	11 489	10 663	16 347
Total	174 585	171 130	248 412	243 496

(8) **Other taxes**

	2008.12.31	2007.12.31	2008.12.31	2007.12.31
	LVL	LVL	EUR	EUR
real estate tax (buildings)	26 733	30 245	38 039	43 035
real estate tax (land)	1 803	1 382	2 565	1 966
Total	28 536	31 267	40 604	45 001