



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, 2008

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 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 september 30, 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 2 281 921 as on september 30, 2008 Ls 1 829 908 paid and registered equity capital Ls 113 161 subscribed and paid-up amount of equity capital Ls 338 852 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 1 943 069 as on september 30, 2008 subscribed and paid-up amount of equity capital *VEF KOMUNIKĀCIJU SERVISS SIA- 45.56% or 885 272 shares; *Komunikāciju Centrs” SIA - 24% or 466 377 shares; *State Social Insurance Agency - 5.02 % or 97 582 shares; * Tamāra Kampāne - 9.42% or 182 945 shares; * Gints Feņuks - 7.02% or 136 073 shares ; *Other shareholders - 8.98% or 174 090 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. - 30.09.2008.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up equity capital Ls 1 943 069

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
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	81	86	115	122
Total intangible assets	81	86	115	122
Fixed Assets				
Land, buildings and other property	4 243 462	4 284 538	6 037 903	6 096 348
Equipment and machinery	15 561	26 032	22 141	37 040
Other fixed assets and inventory	13 553	13 624	19 284	19 385
Advance payments for fixed assets	107 947			
Total fixed assets	4 380 523	4 323 194	6 232 923	6 162 773
Total long-term investments	4 380 604	4 324 280	6 233 038	6 152 895
Current assets				
Inventory				
Goods for sale				
Total inventory	0	0	0	0
Debtors				
Customers and client debts	62 258	165 299	88 585	235 199
Other debtors	21 515	21 779	30 613	30 989
Future period expenses	6 401	12 232	9 108	17 405
Subscribed but not paid-up amount of equity capital	338 852		482 143	
Total debtors	429 026	199 310	610 449	283 593
Cash	64 360	34 838	91 576	49 570
Total Current assets	493 386	234 148	702 025	333 163
TOTAL ASSETS	4 873 990	4 558 428	6 935 063	6 486 059



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
			0.702804	0.702804
Stockholder's Equity				
Common stock	2 281 921	1 829 908	3 246 881	2 603 724
Long-term investments revaluation reserve	438 390	432 868	623 773	615 916
Total accumulation				
Retained earnings from the previous years	-928 449	-956 253	-1 321 064	-1 360 625
Retained earnings of the financial years	8 105	-28 255	11 532	-40 203
Total stockholder's equity	1 799 967	1 278 268	2 561 122	1 818 812
PROVISIONS				
Other provisions	7 701	5 398	10 958	7 681
Total provisions	7 701	5 398	10 958	7 681
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 492 507	2 705 714	3 546 518	3 849 884
Prepayments from buyers	33 814	33 814	48 113	48 113
Other liabilities	69 559	121 204	98 974	172 458
Deferred tax liability	185 813	167 647	264 388	238 540
Total long-term liabilities	2 781 693	3 028 379	3 957 993	4 308 995
Current liabilities				
Borrowings from credit institutions	159 905	159 905	227 524	227 524
Accounts payable	58 343	26 882	83 015	38 250
Taxes and social security payments	9 997		14 224	
Other liabilities	41 683	41 221	59 310	58 652
Future period income	14 701	18 375	20 918	26 145
Total current liabilities	284 629	246 383	404 991	350 571
Total liabilities	3 066 322	3 274 762	4 362 983	4 659 566
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 SEPTEMBER
30.2008.**

		LVL 30.09.2008	LVL 30.09.2007	EUR 30.09.2008 0.702804	-	EUR 30.09.2007 0.702804	-
1	2	4	5	4		5	
Net turnover		651 467	630 039	926 954		896 465	
Cost of goods sold	1	-389 994	-341 393	-554 912		-485 759	
Gross profit		261 473	288 646	372 042		410 706	
Selling expenses							
Administrative expenses	2	-58 150	-44 163	-82 740		-62 838	
Other income from operations	3	3 793	4 675	5 397		6 652	
Other expenses from operations	4	- 3 062	-2 439	-4 357		-3 470	
Financial services income	5	12 801	1 532	18 214		2 180	
Financial services expenses	6	-131 743	-125 493	-187 453		-178 560	
Profit before taxes		85 112	122 758	121 103		174 669	
Other taxes	7	-21 862	-24 099	-31 107		-34 290	
Deferred tax		-55 145	-126 914	-78 464		-180 5872	
Net profit		8 105	-28 255	11 532		-40 203	
Earnings per share (EPS)							
EPS on 30.09.2008-0.00417							
LVL- 0.00593 EUR							

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2008

	2008 30.09.	2007 30.09.	2008 30.09. EUR 0.702804	2007 30.09. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	85 112	122 758	121 103	174 669
<i>Adjustments:</i>				
fixed assets depreciation (+)	45 373	47 730	64 560	67 885
intangible assets depreciation (+)	4	2	6	3
increase/decrease in provisions	7 701	5 398	10 958	7 681
profit or losses from exchange rates fluctuation (+/-)	-321	-204	-457	-290
financial service income	-12 801	-1 532	-18 214	-2 180
financial services income	131 743	125 493	187 453	178 561
<i>Profit or losses before adjustments from current assets and liabilities</i>	256 811	302 689	365 409	430 688
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-259 238	29 447	-368 862	41 899
inventory: increase (-); decrease (+)		13 144		18 702
liabilities: increase (-); decrease (+)	-178 139	-49 893	-253 469	-70 991
Common stock issued	452 031		643 149	
<i>Gross cash provide by operating activities</i>	271 465	295 387	386 260	420 298
Payments for financial	-131 743	-124 493	-187 453	-177 138
Income tax payments	-21 862		-31 107	
<i>Net cash provided by operating activities before outstanding items:</i>	117 860	419 880	167 700	597 435
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	117 860	419 880	167 700	597 435
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-16 827	-316 762	-23 943	-450 711
Interest received	12 801	2 233	18 214	3 177
Subscribed and paid-up amount of equity capital.	113 161		161 014	
Net cash used in investing activities :	226 995	-314 529	322 985	-447 534
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital	-37 242		-52 991	
Borrowings received	-159 910	-197 143	-227 531	-280 509
Grants and donations received				
Expenses for borrowings repayment				
Net cash provided by financing activities :	29 843	-197 143	42 463	-280 509
IV. Exchange rate fluctuation result :	-321	-204	-457	-290
Net cash flow	29 522	-91 996	42 006	-130 899
CASH AT BEGINNING OF YEAR	34 838	126 834	49 570	180 469
CASH AT END OF YEAR	64 360	34 838	91 576	49 570

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
SEPTEMBER 30, 2008**

	30.09.2008 LVL	30.09.2007 LVL	30.09.2008 EUR 0.702804	30.09.2007 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	452 013		643 157	
Decrease from				
Balance at the end of the financial year	2 281 921	1 829 908	3 246 881	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				
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				
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	8 105	-28 255	11 532	-40 203
Dividendes				
Included in accumulations				
Balance at the end of the financial year	- 920 344	-984 508	- 1 309 532	- 1 320 422
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 278 268	1 295 050	1 818 812	1 842 690
Balance at the end of the financial year	1 799 967	1 278 268	2 561 122	1 818 812



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON SEPTEMBER 30, 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 09 months, from 01.01.2008 to 30.09.2008.

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 2 652 412 LVL (3 774 042 EUR).

**(1) Net turnover**

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

Type of commercial operations	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	111 369	139 667	158 464	198 728
water supply and sewage services	9 224	8 011	13 125	11 399
office renting service	416 879	369 275	593 165	525 431
utility services	113 995	113 086	162 200	160 907
Total	651 467	630 039	926 954	896 465

Distribution of net turnover by geographical markets

Country	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
Latvia	651 467	630 039	926 954	896 465
Total	651 467	630 039	926 954	896 465

(2) Cost of sales

	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
personnel	67 610	40 408	96 200	57 495
depreciation	45 373	47 710	64 560	67 885
transport	6 148	6 845	8 748	9 740
other outstanding costs	155 809	136 222	221 696	193 826
personnel training	127	279	181	397
telecommunication service	1 302	1 348	1 853	1 918
other costs tied to commercial operations	37 571	59 226	53 459	84 271
insurance (buildings)	3 260	3 192	4 639	4 542
maintenance of buildings 1 and 1a	55 448	44 389	78 895	63 160
land rent to LPA	17 342	1 772	24 675	2 521
depreciation of license	4	2	6	3
Total	389 994	341 393	554 912	485 759



(3) Costs of administration	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
personnel	41 800	30 657	59 476	43 621
telecommunication service	1 302	1 347	1 853	1 917
office supplies	1 043	1 219	1 484	1 735
cash turnover expenses	155	137	221	195
transport expenses for administrative needs	6 147	6 844	8 746	9 738
representative expenses	150	195	213	278
legal assistance or raid	2 553	14	3 633	20
RFB annual fee	5 000	3 750	7 114	3 557
Total	58 150	44 163	82 740	62 838

(4) Other revenues from commercial operation	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 172	138	1 668	196
1/5 of revenue from writing-off PS				
purchase	808	1 010	1 150	1 437
1/5 from financial support given for Gold equipment	1 786	2 233	2 541	3 177
other revenues				
insurance recompense		1 287		1 832
revenues from changes in currency rates	27	7	38	10
Total	3 793	4 675	5 397	6 652

(5) Other costs of commercial operations	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
losses from changes in currency rates	348	204	495	290
40% of representative costs	100	130	142	185
donations to Latvian orphans fund	300	255	427	363
allowances and bonuses	2 209	1 850	3 143	2 632
fines	105			
Total	3 062	2 439	4 357	3 470



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

	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
interest from balances of accounts	12 801	1 532	18 213	2 180
Total	12 801	1 532	18 213	2 180

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

	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
credit interests	125 863	116 388	179 087	165 605
interest to LPA for long term buy-out of land	5 880	9 105	8 366	12 955
Total	131 743	125 493	187 453	178 560

(8) **Other taxes**

	2008.09.30	2007.09.30	2008.09.30	2007.09.30
	LVL	LVL	EUR	EUR
real estate tax (buildings)	20 059	22 716	28 541	32 322
real estate tax (land)	1 803	1 383	2 566	1 968
Total	21 862	24 099	31 107	34 290