



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, 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 six 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 June 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 1 901 654 as on June 30, 2008 Ls 1 829 908 paid and registered equity capital Ls 18 061 subscribed and paid-up amount of equity capital Ls 53 685 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 :	As on June 30, 2008: *VEF KOMUNIKĀCIJU SERVISS SIA- 46.55% or 885 272 shares; *Komunikāciju Centrs” SIA - 19.27% or 366 377 shares; *State Social Insurance Agency - 5.13 % or 97 582 shares; * Tamāra Kampāne - 9.78% or 185 945 shares; * Gints Feņuks - 7.38% or 226 074 shares ; *Other shareholders - 11.89% or 226 074 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. - 30.06.2008.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registered equity capital

² Equity capital of the Company is divided into 1 901 654 common shares
Nominal value of a common share is 1 LVL (one Latvian lat).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	82	87	117	124
Total intangible assets	82	87	117	124
Fixed Assets				
Land, buildings and other property	4 253 731	4 253 790	6 052 514	6 052 598
Equipment and machinery	18 179	28 649	25 866	40 764
Other fixed assets and inventory	12 036	15 138	17 126	21 539
Advance payments for fixed assets	104 599		148 831	
Total fixed assets	4 388 545	4 297 577	6 244 337	6 114 901
Total long-term investments	4 388 627	4 297 664	6 244 454	6 115 025
Current assets				
Inventory				
Goods for sale				
Total inventory	0	0	0	0
Debtors				
Customers and client debts	62 178	147 869	88 471	210 399
Other debtors	17 656	42 854	25 122	60 976
Future period expenses	6 350	14 876	9 035	21 167
Subscribed but not paid-up amount of equity capital	53 685		76 387	
Total debtors	139 869	205 599	199 015	292 542
Cash	6 008	49 420	8 549	70 318
Total Current assets	145 877	255 019	207 561	362 859
TOTAL ASSETS	4 534 504	4 552 683	6 452 018	6 477 884



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 901 654	1 829 908	2 705 809	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	13 132	4 911	18 685	6 988
Total stockholder's equity	1 424 727	1 311 434	2 027 203	1 866 003
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	2 599 111	2 812 317	3 698 202	4 001 567
Prepayments from buyers	33 814	33 814	48 113	48 113
Other liabilities	94 387	146 032	134 301	207 785
Deferred tax liability	175 635	60 733	249 906	86 415
Total long-term liabilities	2 902 947	3 052 896	4 130 522	4 343 880
Current liabilities				
Borrowings from credit institutions	106 603	106 603	151 682	151 682
Accounts payable	39 072	27 634	55 594	39 320
Taxes and social security payments	8 545	803	12 159	1 143
Other liabilities	29 344	28 457	41 753	40 491
Future period income	15 565	19 458	22 147	27 686
Total current liabilities	199 129	182 955	283 335	260 322
Total liabilities	3 109 777	3 235 851	4 424 815	4 604 201
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 534 504	4 552 683	6 452 018	6 477 884



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON JUNE
30.2008.**

		LVL 30.06.2008	LVL 30.06.2007	EUR 30.06.2008 - 0.702804	EUR 30.06.2007 - 0.702804
1	2	4	5	4	5
Net turnover		437 438	403 853	622 418	574 631
Cost of goods sold	1	-248 830	-269 531	-354 053	-383 508
Gross profit		188 608	134 322	268 365	191 123
Selling expenses					
Administrative expenses	2	-36 245	-30 952	-51 572	-44 041
Other income from operations	3	2 924	20 152	4 160	28 674
Other expenses from operations	4	-1 988	-1 436	-2 829	-2 043
Financial services income	5	7 582	1 452	10 788	2 066
Financial services expenses	6	-87 594	-82 101	-124 635	-116 819
Profit before taxes		73 287	41 437	104 278	58 960
Other taxes	7	-15 188	-16 526	-21 611	-23 514
Deferred tax		-44 967	-20 000	-63 982	-28 457
Net profit		13 132	4 911	18 685	6 988

Earnings per share (EPS)
EPS on 30.06.2008-0.0069
LVL- 0.0069 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



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

	2008 30.06.	2007 30.06.	2008 30.06. EUR 0.702804	2007 30.06. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	73 287	41 437	104 278	58 960
<i>Adjustments:</i>				
fixed assets depreciation (+)	30 254	73 814	43 048	105 028
intangible assets depreciation (+)	3	1	4	1
increase/decrease in provisions	2 303	5 398	3 277	7 681
profit or losses from exchange rates fluctuation (+/-)	26	-197	37	-280
financial service income	7 582	1 452	10 788	2 066
financial services income	87 594	82 101	124 635	116 819
<i>Profit or losses before adjustments from current assets and liabilities</i>	201 049	204 006	286 067	290 274
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	65 730	59 147	93 525	84 159
inventory: increase (-); decrease (+)		13 388		19 049
liabilities: increase (-); decrease (+)	-220 057	-153 669	-313 113	-218 651
<i>Gross cash provide by operating activities</i>				
Payments for financial	-87 594	-82 101	-124 635	116 819
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	-40 872	-40 771	-58 156	-58 012
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :				
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase				
Interest received				
Net cash used in investing activities :	0	0	0	0
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital	-10 148	-9 614	-14 439	-13 680
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	7 582	1 452	10 788	2 066
Net cash provided by financing activities :	-2 566	-8 162	-3 651	-11 614
IV. Exchange rate fluctuation result :	26	-197	37	-280
Net cash flow	-43 412	-32 412	-61 769	-46 118
CASH AT BEGINNING OF YEAR	49 420	81 832	70 318	116 437
CASH AT END OF YEAR	6 008	49 420	8 549	70 318



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

	30.06.2008 LVL	30.06.2007 LVL	30.06.2008 EUR 0.702804	30.06.2007 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	71 746		102 085	
Decrease from				
Balance at the end of the financial year	1 901 654	1 829 908	2 705 809	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	- 360 625
Profit or losses of the financial year	13 132	4 911	18 865	6 988
Dividendes				
Included in accumulations				
Balance at the end of the financial year	- 915 317	-951 342	- 1 302 379	- 1 353 637
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 311 434	1 281 516	1 866 003	1 823 434
Balance at the end of the financial year	1 424 727	1 311 434	2 027 203	1 866 003



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON JUNE 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 30.06.2008.

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 2 705 714 LVL (3 849 884 EUR).

**(1) Net turnover**

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

Type of commercial operations	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	73 116	88 706	104 035	125 217
water supply and sewage services	7 898	5 578	11 238	7 937
office renting service	276 101	244 128	392 856	347 363
utility services	80 323	64 441	114 289	93 114
Total	437 438	403 853	622 418	574 631

Distribution of net turnover by geographical markets

Country	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
Latvia	437 438	408 853	622 418	574 631
Total	437 438	408 853	622 418	574 631

(2) Cost of sales

	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
personnel	41 286	23 977	58 745	34 116
depreciation	30 254	73 814	43 048	105 038
transport	4 022	5 107	5 723	7 267
other outstanding costs	101 697	96 314	144 702	137 043
personnel training	102	161	145	229
telecommunication service	794	1 153	1 130	1 641
other costs tied to commercial operations	20 059	35 885	28 541	51 060
insurance (buildings)	2 229	2 996	3 172	4 263
maintenance of buildings 1 and 1a	35 377	29 237	50 337	41 601
land rent to LPA	13 007	886	18 506	1 261
depreciation of license	3	1	4	1
Total	248 830	269 531	354 053	383 508



(3) Costs of administration	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
personnel	27 405	21 791	38 994	31 006
telecommunication service	794	577	1 130	821
office supplies	790	718	1 124	1 022
cash turnover expenses	107	93	152	132
transport expenses for administrative needs	4 022	5 107	5 723	7 267
representative expenses	104	152	148	216
legal assistance or raid	523	14	744	20
RFB annual fee	2 500	2500	3 557	3 557
Total	36 245	30 952	51 572	44 041

(4) Other revenues from commercial operation	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 168	127	1 662	181
1/5 of revenue from writing-off PS				
purchase	539	673	767	958
1/5 from financial support given for Gold equipment	1 191	1 488	1 695	2 117
other revenues		16 577		23 587
insurance recompense		1 287		1 831
revenues from changes in currency rates	26		36	
Total	2 924	20 152	4 160	28 674

(5) Other costs of commercial operations	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
losses from changes in currency rates		197		280
40% of representative costs	69	101	98	144
donations to Latvian orphans fund	200	155	285	221
allowances and bonuses	1 614	983	2 297	1 399
fines	105		149	
Total	1 988	1 436	2 829	2 043



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

	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
interest from balances of accounts	7 582	1 452	10 788	2 066
Total	7 582	1 452	10 788	2 066

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

	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
credit interests	83 517	76 410	118 834	108 722
interest to LPA for long term buy-out of land	4 077	5 691	5 801	8 097
Total	87 594	82 101	124 635	116 819

(8) **Other taxes**

	2008.06.30	2007.06.30	2008.06.30	2007.06.30
	LVL	LVL	EUR	EUR
real estate tax (buildings)	13 385	15 144	19 045	21 548
real estate tax (land)	1 803	1 382	2 566	1 966
Total	15 188	16 526	21 611	23 514