

JSC "VEF Radiotehnika RRR"
Unified Registration Nr. 40003286712
Address: Kurzemes prospekts 3, Riga, LV-1067

Main activities:
production

Measurement units: Ls (LVL)

2008 Q-1 Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

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INFORMATION about the COMPANY

Full name of the Company	<i>JSC "VEF Radiotehnika RRR"</i>			
Legal status of the Company	<i>Public Joint-Stock Company</i>			
Unified Registration Nr., place and date of issue datums	<i>40003286712 1998.12.11</i>			
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
Telephone	<i>67418087</i>			
Postal address	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
Bank name and Company's bank accounts	<i>AS "SEB Latvijas Unibanka" LV57UNLA0050006466330 (LVL) LV55UNLA0050006466366 (EUR) LV32UNLA0050006466392 (USD)</i>			
Council members of the JSC				
Chairman of the Council	<i>Vladimirs Martinsons</i>			
Council Member	<i>Andris Prikass</i>			
Council Member	<i>Janis Salenieks</i>			
Council Member	<i>Ausma Smiltneiece</i>			
Council Member	<i>Juris Voins</i>			
Boar members of the JSC				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Jurijs Malejevs</i>			
Board Member	<i>Gunars Lacis</i>			
Reporting year	<i>from</i>	<i>2008.01.01</i>	<i>till</i>	<i>2008.03.31</i>
Previous reporting period	<i>from</i>	<i>2007.01.01</i>	<i>till</i>	<i>2007.12.31</i>
Chief Accountant	<i>0</i>			
Telephone:				
Auditor:	Auditing Company "Finansists" Ltd. Talavas gatve 11-4, Riga, LV- 1029 Reg. Nr.LV-40002046180 Nelli Jermolicka sworn auditor (Latvian Association of Sworn Auditors' Certificate Nr.102)			

Management Report

Types of activities

During the 3 months of 2008, the main types of JSC "VEF Radiotehnika RRR" activities were:

1. Development of acoustic systems and casings, organisation of production, production and sales;
2. Production and sales of electronic blocks and Elektronisko block un components;
3. Production and sales of printed circuit boards, galvanization services;
4. Provision of real estate rental services

All of the above-mentioned activities had been performed also in year 2008. New types of activities have not been performed.

Operation of the company in the reporting period

The Company has finished the financial year with the following results:

Result before extraordinary items and taxes:	61613 LVL
Other taxes:	-24537 LVL
Net result:	37076 LVL

Net turnover for Q-1 2008 is 532369 Ls and has grown by 0,2 % in comparison with 2007.

There were no other significant events which could directly influence performance for the reporting period.

Current liabilities of the Company do not exceed current assets.

Total liabilities did not exceed total assets of the Company.

Company's profitability:

Gross profit margin (%)	6,96
Operating profit margin (%)	17,27
Gross profit margin (%)	30,69

Financial profitability (%)

Return on capital	1,28
Return on equity	1,75

Company's development activities

Further development of the Company lies in research of both local and export markets, offering new products to customers with the aim to retain existing customers and to attract new ones.

In 2008, the Company is planning to retain the current rate of sales growth, which shall be done by using the features of the new equipment to its full potential.

Conditions and events after Balance Sheet completion

From the end of the reporting year to this date there have been no events which could directly influence the value of this report.

Chairman of the Board

Eduards Malejevs

Notification of management's responsibility

Company's management is responsible for the preparation of the financial statements for each reporting period on the basis of the accounting principles and which reflect true and fair view of the company's financial situation as well as operating results.

The management confirms that in preparation of the report for the period ended March 31, 2008, the corresponding accounting principles have been applied, their use was consistent and the protective and logical decisions had been made.

Management is responsible for application of the necessary accounting principles, safeguarding company's assets as well as protection from misrepresentation and unlawful

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Gunars Lacis

***PROFIT AND LOSS STATEMENT
 FOR THE PERIOD ENDED
 31.03.2008 (per turnover (period) costs method)***

	Note	<u>2008</u>	<u>2008</u>	<u>2007</u>
	nr.	LVL	EUR	LVL
Net turnover	1	532 369	757 493	533 379
Cost of sales	2	(368 960)	(524 983)	(423 949)
Gross profit or loss		163 409	232 510	109 430
Selling expenses	3	(10 956)	(15 589)	(12 441)
Administrative expenses	4	(112 244)	(159 709)	(94 462)
Other operating income	5	62 304	88 651	10 606
Other operating expenses	6	(10 664)	(15 174)	(14 433)
Interest income and similar income	7	89	127	12
Interest expense and similar expenses	8	(30 325)	(43 149)	(18 764)
Profit or loss before extraordinary items and taxes		61 613	87 667	(20 052)
Profit or loss after extraordinary items and before taxes		61 613	87 667	(20 052)
Deferred corporate income tax for the reporting period	9	-	-	-
Other taxes	10	(24 537)	(34 913)	(45 113)
Profit or loss for the period		37 076	52 754	(65 165)
Earnings per share (EPS coefficient)		0,015	0,021	(0,026)

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Gunars Lacis

2007.31.05

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Financial Statements for the period from 01.01.2006 to 31.12.2006.

2007
EUR
758 930
(603 225)
155 705
(17 702)
(134 407)
15 091
(20 536)
17
(26 699)
(28 531)
(28 531)
-
(64 190)
(92 721)
(0,036)

BALANCE SHEET as on 31.03.2008.

ASSETS		Note nr.	2008	2008	2007	2007
			LVL	EUR	LVL	EUR
1. Non-current assets						
I. Intangible assets:						
Concessions, patents, licenses, trade marks and similar rights	11		1 896	2 698	3 145	4 475
Total intangible assets:			1 896	2 698	3 145	4 475
II. Fixed assets:						
Land, buildings and constructions			1 068 183	1 519 887	1 224 137	1 741 790
Equipment and vehicles			1 761 131	2 505 864	1 991 092	2 833 069
Other fixed assets			148 442	211 214	171 358	243 820
Construction of fixed assets and unfinished construction objects			70 662	100 543	38 636	54 974
Advance payments for fixed assets				-	576	820
Total fixed assets:	12		3 048 418	4 337 508	3 425 799	4 874 473
III. Investment properties						
Total investment properties:			-		-	
IV. Biological assets						
Total biological assets			-		-	
V. Long-term financial investments:						
Other loans and other long-term debtors			520	740	1 120	1 594
Deferred taxation assets			55 339	78 740	72 195	102 724
Total long-term financial investments:			55 859	79 480	73 315	104 318
Total non-current assets:			3 106 173	4 419 686	3 502 259	4 983 266
2. Current assets						
I. Inventory:						
Raw materials	13		336 101	478 229	302 578	430 530
Work in process	14		13 295	18 917	13 419	19 094
Finished goods	14		296 211	421 470	142 073	202 152
Advance payments for materials	15		75 088	106 841	187 987	267 481
Total inventory:			720 695	1 025 457	646 057	919 257
II. Sales-deferred long-term investments						
Total sales-deferred long-term investments:			-		-	
III. Receivables:						
Trade receivables	16		412 169	586 464	427 026	607 603
Other receivables	17		68 659	97 693	89 622	127 521
Deferred expenses	18		915 703	1 302 928	582 498	828 820
Total receivables:			1 396 531	1 987 085	1 099 146	1 563 944
IV. Short-term financial investments:						
Other securities and capital participation			14	20	14	20
Total short-term financial investments:			14	20	14	20
V. Cash	19		32 625	46 421	7 836	11 150
Total currents assets:			2 149 865	3 058 983	1 753 053	2 494 371
TOTAL ASSETS:			5 256 038	7 478 668	5 255 312	7 477 635

BALANCE SHEET as on 31.03.2008.

**LIABILITIES AND
 SHAREHOLDERS' EQUITY**

1. Shareholders' equity:

	Note nr.	2008		2007	
		LVL	EUR	LVL	EUR
Share capital	20	2 549 084	3 627 020	2 549 084	3 627 020
Reserves:					
Total reserves:		-	-	-	-
Retained earnings:					
a) previous years' retained earnings	21	- 409 633	- 582 855	- 424 999	- 604 719
b) current year profit/(loss)	21	37 076	52 754	52 754	65 165
Total shareholders' equity:		2 176 527	3 096 919	2 176 839	2 957 136

2. Provisions:

Total provisions:		-	-	-	-
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3. Liabilities:

I. Non-current liabilities:

Loans from lending institutions	22	1 140 419	1 622 670	1 125 155	1 600 951
Other loans	23	100 338	142 768	122 806	174 737
Deferred income	24	590 838	840 687	772 185	1 098 720
Deferred tax liabilities	25		-		-
Total non-current liabilities:		1 831 595	2 606 125	2 020 146	2 874 408

II. Current liabilities:

Loans from lending institutions	26	279 382	397 525	206 332	293 584
Other loans	27	112 584	160 193	97 709	139 027
Advances from customers	28	185 195	263 509	203 954	290 200
Trade accounts payable	29	240 154	341 708	235 424	334 978
Taxes and social security liabilities	30	151 957	216 215	115 933	164 958
Other liabilities	31	76 579	108 962	87 216	124 097
Deferred income	32	145 451	206 958	229 678	326 802
Accrued liabilities	33	56 614	80 554		-
Total current liabilities:		1 247 916	1 775 624	1 176 246	1 673 646

Total liabilities:		3 079 511	4 381 749	3 196 392	4 548 054
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		5 256 038	7 478 668	5 373 231	7 645 419
		-	-	117 919	- 167 784

Chairman of the Board **Eduards Malejevs** **0**

Member of the Board **Jurijs Malejevs** **0**

Member of the Board **Gunars Lacis** **0**

31.Mai.07

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.03.2007 (per indirect method)

I. Cash flow from operating activity

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
<i>Profit or loss before extraordinary items and taxes</i>	61 613	87 667 -	20 052 -	28 531
<i>Adjustments for:</i>				
a) depreciation of fixed assets	82 513	117 405	85 989	122 351
k) other taxes	(24 537)	(34 913)	(45 113)	(64 190)
<i>Profit or loss before current assets and short-term liabilities corrections</i>	107 184	152 509	20 824	29 630
<i>Adjustments for:</i>				
a) trade receivables increase (-) or decrease (+)	(14 483)	(20 607)	(119 488)	(170 016)
b) inventory increase (-) or decrease (+)	(137 065)	(195 026)	(5 443)	(7 745)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	(268 056)	(381 409)	(6 932)	(9 863)
<i>Gross cash flow from operating activities</i>	(312 420)	(444 534)	(111 039)	(157 994)
Interest payments	(25 484)	(36 260)	-	-
<i>Cash flow before extraordinary items</i>	(337 904)	(480 794)	(111 039)	(157 994)
<i>Net cash flow from operating activity</i>	(337 904)	(480 794)	(111 039)	(157 994)
II. Cash flow from investing activities				
Acquisition of fixed assets	(33 643)	(47 870)	(5 318)	(7 567)
Income from fixed assets sale	615 000	875 066	640	911
<i>Net cash flow from investing activities</i>	583 205	829 826	(4 678)	(6 656)
III. Cash flow from financing activities				
Loans received	97 878	139 268	233 435	332 148
Received subsidies, grants, gifts or donations	-	-	-	-
Loans repaid	(324 791)	(462 136)	(141 250)	(200 981)
<i>Net cash flow from financing activities</i>	(237 376)	(337 756)	92 185	131 167
IV. Foreign exchange rate differences	-	-	-	-
V. Net cash flow for the year	7 925	11 276	(23 532)	(33 483)
VI. Cash and cash equivalents at the beginning of the period	24 700	35 145	31 368	44 633
VII. Cash and cash equivalents at the end of the period	32 625	46 421	7 836	11 150

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Gunars Lacis

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR Q 2008

	Akciju vai daļu kapitāls (pamatkapitāls)	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Likumā noteiktās rezerves	Pārskata gada peļņa	Iepriekšējo gadu nesadalītā peļņa	Pāšu kapitāls kopā
	LVL	LVL	LVL	LVL	LVL	LVL
Atlikums 2006.g. 31.decembrī	2 549 084	-	-	148 034	- 573 033	2 124 085
Peļņas pārvešana				- 148 034	148 034	-
Pārskata gada peļņa				15 366		15 366
Atlikums 2007.g. 31.decembrī	2 549 084	-	-	15 366	- 424 999	2 139 451
Peļņas pārvešana				- 15 366	15 366	-
Pārskata gada peļņa				37 076		37 076
Atlikums 2008.gada 31.martā	2 549 084	-	-	37 076	- 409 634	2 176 527

	Akciju vai daļu kapitāls (pamatkapitāls)	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Likumā noteiktās rezerves	Pārskata gada peļņa	Iepriekšējo gadu nesadalītā peļņa	Pāšu kapitāls kopā
	EUR	EUR	EUR	EUR	EUR	EUR
Atlikums 2006.g. 31.decembrī	3 627 020	-	-	56 637	- 904 369	2 779 288
Peļņas pārvešana				- 210 633	210 633	-
Pārskata gada peļņa				21 864		21 864
Atlikums 2007.g. 31.decembrī	3 627 020	-	-	- 132 132	- 693 736	2 801 152
Peļņas pārvešana				- 21 863	21 863	-
Pārskata gada peļņa				52 754		52 754
Atlikums 2008.gada 31.martā	3 627 020	-	-	52 754	- 582 856	3 096 918

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Gunars Lacis

Notes to the Financial Statements

1. Accounting Policies

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL), shortened - Ls.

General Principles

The Annual Report is prepared in accordance with the Republic of Latvia "Law On Accounting" and "Law on Annual Reports" and in accordance with Latvian accounting standards. In preparation of this Annual Report the following Latvian accounting standards were applied: (LAS): 1. LAS "Financial Report base preparation approach", 2. LAS "Cash Flow Statement", 3. LAS "Events after Balance Sheet date", 4. LAS "Change of accounting policy, change of accounting calculations and errors of previous periods", 5. LAS "Long-term Agreements".

Profit and Loss Statement is prepared using turnover (period) costs method.

Cash Flow Statement is prepared using indirect method.

Financial Statements provides true and fair view of the Company's assets, liabilities, financial standing and profits or losses.

Accounting policies ensure that the Financial Statements provide information, which is:

1. Acceptable to Financial Statements' users for making decisions;
2. Is valid in the way that it:
 - * correctly reflects Company's results and financial standing - not only the legal form but also the economic nature, is neutral, i.e. non-biased nor deliberate;
 - * fully represents all real aspects.

Changes to the accounting policies

Compared to the previous year, the accounting policy has not changed.

Should the application of the new external legislation and the Latvian Accounting Standard requirements' or voluntary accounting policy affect the reporting period or any previous periods, the LAS Nr.4 shall be applied.

Changes to the accounting policy are to be applied with reversed date effect, thus the Company shall change every balance entry of affected share capital item for all previous periods shown in the Financial Statements, as well as in other comparative tables for all shown periods in a way, as if the new accounting policy had always been used, except when it is not practically possible to evaluate the influence of the change in the accounting policy for the previous period or its overall influence.

Error correction

Literal errors for the previous periods are to be corrected by the Company with reversed date effect in the first financial statement after the error has been discovered:

- 1) by correcting comparable indicators for the periods in which the error has occurred; or
- 2) should the error get discovered prior the latter financial reporting period, by amending the asset, liability and share capital starting figures for the latter reporting period's.

Adapted accounting principles

Items of the Annual Report are valued in accordance with the following accounting principles:

- a) it is assumed that the Company continues operations;
- b) the same valuation methods as for the previous reporting year shall be used;
- c) item valuation is performed with due attention, taking into account the following provisions:
 - only profit received prior to the Balance Sheet date is used;
 - all foreseen risk amounts and losses which have arisen in the reporting year or in the previous years, are included, even when they became known between the Balance Sheet date and the Annual Report preparation date;
 - all value depreciations and reductions are considered and calculated regardless of whether the reporting year had profits or losses;
- d) all incomes and expenses related to the reporting year are included in the Profit and Loss Statement regardless of payment date, invoice receipt or issuance dates. Expenses are compared with incomes in the corresponding reporting period;
- e) assets and liabilities items are valued separately;
- f) reporting year's beginning balance is matching the previous year's ending balance;
- g) all items which may influence Annual Report's users decision making or valuation, are included;
- h) operating activities for the reporting period are reflected taking into account their economic meaning and contents, not legal form.

Reporting period: from 01.01.2008. to 31.03.2008.

Transactions in foreign currency

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL).

All monetary assets and liabilities are translated at the Bank of Latvia rate of exchange on last day of the reporting year.

Differences in exchange rates, arising from foreign currency transactions or when representing asset and liability items, between the exchange rate originally recorded, are to be reflected by their starting net value in the Profit and Loss Statement. Profit or loss, resulted due to the fluctuation of the foreign currency rate, is reflected in the Profit and Loss Statement for the corresponding period.

Currency rates at the last reporting date for the past two years have been the following:

	2008.03.07	2007.31.12	2006.31.12
USD	0,528	0,536	0,593
EUR	0,702804	0,702804	0,702804

Long-term and short-term items

The following amount are shown in the current assets:

- * that shall be used or realised during the usual working cycle of the Company;
- * that are mainly for trading purposes or are of short-term nature and can be realised within 12 months after the Balance Sheet date;
- * that are cash or cash equivalents, possessing unlimited usage options.

Other assets are classified as long-term.

The following current liabilities are shown:

- * that will be paid off during the usual working cycle of the Company;
- * that will be paid off within 12 months after the Balance Sheet date;

Other liabilities are classified as long-term.

Company's non-current liabilities (long-term liabilities) are also those which pay-off term is less than one year but:

- * original liability term was longer than one year;

Intangible assets and fixed assets depreciation

Intangible asset is an asset that:

is believed to bring operating benefits to the Company, related to this asset; which costs can be evaluated.

Only acquired for reward/compensation "concessions, patents, licenses, trade marks and similar rights" can be shown.

In the Balance Sheet all intangible assets are shown at the historical cost less depreciation.

Depreciation is calculated by straight-line method, using the following depreciation rates:

Intangible assets

Software	20-35	%
Licenses	20	%
Trade Marks	20	%
Non-material value	20	%

Intangible asset with specified useful life is systematically depreciated during the rounded up useful life period.

Intangible asset with unlimited useful life is checked for value decrease every year.

Computer software and licenses, commercial licenses, trade marks, patents, certificates and advance payments for the non-material investments are considered as intangible assets. Intangible assets are shown using their net value, computer software used together with licenses and ownership rights.

Fixed Assets:

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 50,- LVL and more.

Work tools, production accessories and obligatory work clothes, shoes and other items are not classified as fixed assets, regardless of their acquisition value or useful life.

All fixed assets are valued by their acquisition value.

Fixed assets are shown using their acquisition or revaluations value, less depreciation. Depreciation is calculated using

Financial Statements for the period from 01.01.2006 to 31.12.2006.

the straight-line method, reducing the net book value of the asset at the end of useful life using the following rates:

* Buildings and constructions	5	%
* Technological equipment	10-20	%
* Transport vehicles	10-20	%
* Furniture	10-20	%
* Other fixed assets	10-20	%
* Mobile phones	35	%
* Computers and other data storage units	15-35	%
* Depreciation on land plots is not calculated.		

Unfinished construction object's historic cost is increased by the interest paid on the loan taken for construction of the fixed asset and on other costs arising in relation to the given object until it is completed and accepted for usage.

Unfinished construction object's historic cost is, however, not increased by the interest paid on the loan taken for construction of the fixed asset should the construction work during the periods when the construction is not taking place.

Rent

In cases when fixed assets are rented, repair and improvement costs are reflected in the account "Long-term investments in rented fixed assets" and are gradually written off during the rental period.

Hire-purchase (Financial leasing)

In cases when fixed asset are taken on financial lease basis along with risks and returns, these fixed assets are recorded in immediate purchase cost basis. Leasing interest payment and related costs are included in the Profit and Loss Statement for the corresponding period, when they occurred.

Long-term financial investments

Long-term financial investments are purchase of a company (or shares of it), long-term loans, long-term investments. Long-term investments are investments with pay-off date of over one year and are outside the reporting year.

Investments in subsidiaries and related Company shareholding.

Investments in subsidiaries and in capital of the related companies are treated as costs. Company recognises incomes only when they are received from the related company as distribution of its profits. Should the investment exceed the profit received, then it is reflected as investment expenditure reduction. Should there be sufficient ground to believe that the capital value of the company has decreased, then losses from the decrease are calculated as the difference between the original investment and the ending value of the investment. The ending value is calculated as the larger of the following indicators: investment's true value, form which the sales costs are deducted and company's usage value. Losses resulting from investment value's decrease can be reversed, if after the last time the losses from value decrease were recognised they have changed which was used for determining the decreased value.

Inventory valuation

Paragraph 40 of the Provisions of the Latvian Republic Cabinet of Ministers Nr.312 "Regulations on organisation of wholesale and retail" dated 31.08.1999 shall serve as the basis for goods inventory movement. Received and issued goods management is performed with help of computer software "DAIS". Uninterrupted inventory method is applied in monitoring wholesale movement of goods. During the reporting year, warehouse management software reflected every movement of inventory- sale, internal movement, return of goods to the supplier, return of goods from buyers. The goal of annual inventory is to check the correctness of inventory movement management system. Inventories are valued using FIFO method. In case of necessity, outdated, slow turnover or damaged inventories' values decrease is written-off, or provisions are made. Unused material values and stocks at the end of reporting period are valued on historic cost basis, with addition of additional costs (Customs' duties, transport costs, delivery services etc) proportion which is related to the stocks valued.

Write-off of purchased inventory's values:

Inventory items are recorded in the actual volumes at historical cost in the sub account specially dedicated for these purposes. Inventory balances are checked during annual inventory.

Debtors

Financial Statements for the period from 01.01.2006 to 31.12.2006.

Accounts receivable are valued on precautionary basis in the balance sheet, showing only real debtors. Actual accounts receivable amounts comply with the contracts and other documents presented. The accounts receivable comparison is performed and bad debts are written off as well as provisions for doubtful debts have been made, based on evaluation of individual client's financial standing and operating activity analysis.

Accounts receivables are shown in the Balance Sheet on a net (purchase) value, with special provisions for doubtful debts subtracted. The necessary amount of provisions has been set by analysing each debtor and by performing debt comparison.

Bad debts are written off when the likelihood of recovering the debt becomes unrealistic and impossible.

Debtor and creditor liabilities are checked in the 4th quarter of every reporting year, and reconciliation statement is issued.

The debtor and creditor mutual reconciliation has been performed with mutual reconciliation acts.

Differences, discovered during comparison of accounting data are to be resolved in the annual report for the reporting year.

Net turnover

Turnover is the total of goods sold during the year less Value Added Tax.

Income and expenses acknowledgement

1. Income from sale of goods is recognised when the transaction complies with the following requirements:

- a) The Company has handed over to the buyer distinctive risks and rewards together with ownership rights of the goods;
- b) The Company no longer executes holding rights or control related to the ownership rights over the goods sold;
- c) can credibly evaluate the income amount;
- d) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- e) can credibly evaluate costs arisen or arising related to the transaction.

Sale of goods is reflected, considering transaction's economic nature, not only legal form.

2. Result of the service supply transaction can credibly calculate, if the following conditions are met:

- a) can credibly evaluate the income amount;
- b) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- c) can credibly evaluate, what is service supply volume in percentage at the Balance Sheet date;
- d) can credibly evaluate costs arisen or arising related to the transaction.

3. Incomes which arise if other parties use Company's assets and thus receive interest, royalties or dividends, can be recognised using the following methods, if:

- a) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- b) can credibly evaluate the income amount;

Incomes are recognised, using the following methods:

- * interest, based on the proportional division of time, taking into account actual profitability;
- * royalties are recognised in accordance with accumulation principle in connection with the corresponding agreement;
- * dividends are recognised when the Company has legal grounds to receive them.

4. Incomes from rent - at the moment of coming into existence;

All significant cost items are processed per accumulation principle.

Incomes are recognised as such (LR standard Nr.1):

- *income from goods' sale or handover;
- * income after supply of services or handover;
- * incomes from rent - at the moment of it coming into existence;
- * income from fines and penalties - at the time of receipt;
- * dividends - when the are legal grounds to receive them.

Cash and cash equivalents

Cash and cash equivalents consist from cash on hand and current balances in the bank accounts.

Financial Asset's or Liability's real value

The real value of financial assets and liabilities reflect the cash quantity, for which the asset can be sold or liabilities can be paid off between two independent parties. Should in Management's view, financial asset and liability real value is different from the Balance Sheet values, then that real value of assets and liabilities can be separately reflected in the Notes to the Financial Statements.

Accounts Payable

Accounts payable are shown in the Balance Sheet on the basis of corresponding documents and entries in the accounting registers, which are compared with creditors' own data.

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These liabilities are correspondingly separated into long-term debts (liabilities) and short-term liabilities. Short-term liabilities - liabilities which arise during the usual operating of the company and which should be settled not later than 12 months after the Balance Sheet date. Long-term liabilities - liabilities, settlement of which should start not earlier than one year after end of the reporting year. Loan or leasing liabilities are divided accordingly into short-term and long-term parts.

Reserves

Reserves are formed in order to cover certain liabilities, which are related to the reporting period or previous periods, can be foreseen at the time of preparation of the Annual Report or known not to exceed these amounts. The level of the reserves is set in accordance with the methods, adopted by the Company.

Provisions for unused vacations

Amount of the provisions is calculated by dividing the total salaries for 2006 by 12 months.

Loans received and loans issued

Loans received and loans issued are initially shown in their original amount, which is stated in corresponding Loan Agreement at the transaction date.

Amounts of loans issued from the lending institutions are to be compared with the written statements with acceptance from lending institutions at the end of the reporting year. For loans received in foreign currency, the remaining principal amount is calculated per Bank of Latvia exchange rate on the last day of the reporting year.

Deferred Liabilities

All invoices, received or issues after the reporting year yet related to the expenses which have arisen during the reporting year, the costs of which are known at the end of the reporting year, are treated as deferred liabilities.

Deferred liabilities are shown in the Balance Sheet in a separate row.

Taxes

Corporate Income Tax for the reporting year is included in the Financial Statements, based on the known tax rates at the date of the Balance Sheet, in accordance with calculations performed in compliance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated in accordance with the liabilities method in relation to all temporary discrepancies between assets and liability amounts in the Financial Statements and their values for the purpose of tax calculations. Tax rate used for calculation of deferred tax, is a rate which is expected to be during the period in which the temporary discrepancies are resolved based on the tax rates effective on the date of the Balance Sheet. Temporary discrepancies mainly arise die to usage of different fixed asset depreciation rates, as well as from tax losses, which are transferred to the future taxation periods.

The total deferred tax result is shown in the Asset part of the Balance Sheet and is to be entered in the Financial Statements only in cases when the return of the tax is definite.

The reconciliation of tax liability data with State Revenue Service is performed.

Calculations

Preparation of the Financial Statements Management is basing on the known calculations and approaches, which affect certain definitions and amounts in the Financial Statements. Thus actual results may differ from these calculations.

Legislation of the Republic of Latvia states that when preparing Financial Statements, Company's management has to evaluate and to draft assumptions, which affect both Balance Sheet and off-Balance Sheet assets and liabilities on the Balance Sheet date, as well as shown incomes and expenses for the reporting period. Actual results may differ from these assumptions (for example, deferred Corporate Income Tax liabilities, vacation provisions etc).

Possible liabilities and assets

In these Financial Statements possible liabilities are not displayed but are reflected in the Notes to Financial Statements.

As liabilities are recognised only when, if possibility that the funds will be paid out becomes founded. Possible assets in these Financial Statements are not recognised. Possible assets are shown in the Financial Statements only when there is enough proof that the economical benefits will reach the company.

Events after the end of the reporting year

Certain events which give additional information about Company's financial standing at the Balance Sheet date (correcting factors) have been considered during the preparation of the Financial Statements. If post Balance Sheet date events are not correcting factors, they are included in the Financial Statements only if they are substantial.

Related parties

The following sides are treated as "related parties": shareholders of the Company, Board Members, their close family members and companies which are under control or significant influence to the aforementioned related parties.

2. Notes to the Profit and Loss statement entries

Note Nr.1

Net Turnover

Net turnover is income from main activity of the Company, sale of goods and supply of services from which trade discounts and other assigned discounts are subtracted, as well as Value Added Tax, Excise Tax and other taxes, directly related to sales.

Type of activity	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	137 006	194 942	195 382	278 004
Income from rent of premises	188 743	268 557	119 944	170 665
Income from sale of finished goods in the local market	57 754	82 177	64 903	92 349
Income from utility services	146 512	208 468	136 270	193 895
Income from galvanization services	2 061	2 933	16 201	23 052
Income from sale of materials	293	417	679	966
Total	532 369	757 494	533 379	758 931

Note Nr. 2

Cost of goods sold

Costs of production or purchasing in order to perform sale of goods or supply of services

Cost type	11 754	16 724	5 119	7 284
Personnel costs	136 984	194 911	139 659	198 717
		-	-	-
Depreciation of fixed assets	37 603	53 504	40 276	57 308
Depreciation of fixed assets (project 124000075)	45 337	64 509	45 337	64 509
Write-off of current assets		-	-	-
Changes in finished goods inventory	- 34 312	- 48 822	- 194	- 276
Changes in purchased materials and goods inventory	80 468	114 496	81 915	116 555
Services for productions	3 219	4 580	6 772	9 636
Ongoing maintenance and repair	1 942	2 763	1 991	2 833
Real estate property maintenance	97 321	138 475	108 167	153 908
Other costs	398	566	26	37
Total	368 960	524 982	423 949	603 227

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type	10 143	14 432	10 042	14 288
Goods' transport costs	354	504	269	383
Sales costs	-	-	0	-
Bonuses, discounts	459	653	2 130	3 031
Advertising costs	10 956	15 589	12 441	17 702
Total		-	-	-

Note Nr. 4

Administrative costs

Cost type	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Personnel costs	93 363	132 844	81 620	116 135
	-	-	0	-
Representation costs	3 403	4 842	959	1 365
Office expenses	3 425	4 873	1 667	2 372

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Communication expenses	4 051	5 764	4106	5 842
Bank expenses	901	1 282	1124	1 599
Transport costs	6 527	9 287	4408	6 272
Accounting and legal expenses	556	791	515	733
	-	-	0	-
Other administrative costs	18	26	63	90
Total	112 244	159 709	94 462	134 408

Note Nr. 5

Other incomes from operating activity

Type on income	Ieņēmumi	Izdevumi	Rezultāts	Rezultāts
	LVL	LVL	LVL	EUR
Income from privatisation certificates	7 582	-	7 582	10 788
Other income	45 337	-	45 337	64 509
Total	9 385	-	9 385	13 354
	62 304	-	62 304	88 651

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	Ieņēmumi	Izdevumi	Rezultāts	Rezultāts
	LVL	LVL	LVL	EUR
Difference in currency rates	926	8 036	- 7 110	- 10 117
Sale of fixed assets		958	- 958	- 1 363
Other expenses *		2 596	- 2 596	- 3 694
Total	926	11 590	- 10 664	- 15 174

Note Nr. 7

Other interest and similar income

Type of income	LVL	EUR	LVL	EUR
	89	127	11	16
Interest received on account balances	-	-	1	1
Received penalties / fines	-	-	-	-
Net profit from foreign currency rate fluctuations	89	127	12	17
Total				

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Interest paid on loans	25484	36 260	17406	24 767
Loss from foreign currency rate fluctuations	4841	6 888		
Fines/penalties paid		-	1358	1 932
Total	30 325	43 148	18 764	26 699

Note Nr. 9

Deferred Corporate Income Tax

Total:

Note Nr. 10

Other taxes

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Real estate tax for land	1 984	2 823	1743	2 480
Real estate tax for buildings and constructions	22 553	32 090	43370	61 710
Total	24 537	34 913	45 113	64 190

Notes to the Financial Statements

Notes to the Balance Sheet as on March 31, 2008.

11. Intangible assets

	Computer software	Patents and trade marks	Other licenses	Pre-payments for intangible assets	Intangible assets total, LVL	Intangible assets total, EUR
Historical cost						
31.12.2007.	7 363	-	-	-	7 363	10 477
Purchased		-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.03.2008.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2007.	5 040	-	-	-	5 040	7 171
Calculated	427	-	-	-	427	608
Written-off	-	-	-	-	-	-
31.03.2008.	5 467	-	-	-	5 467	7 779
Net book value						
31.12.2007.	2 323	-	-	-	2 323	3 305
Net book value						
31.03.2008.	1 896	-	-	-	1 896	2 698

12. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2007.	428 034	1 141 632	497 711	308 361	2 375 738	3 380 371
Purchased				1 033	1 033	1 470
Written-off					-	-
31.03.2008.	428 034	1 141 632	497 711	309 394	2 376 771	3 381 840
Depreciation						
31.12.2007	-	487 221	265 668	149 259	902 148	1 283 641
Calculated		14 262	11 222	11 693	37 177	52 898
Written-off					-	-
31.03.2008.	-	501 483	276 890	160 952	939 325	1 336 539
Net book value						
31.12.2007.	428 034	654 411	232 043	159 102	1 473 590	2 096 730
Net book value						
31.03.2008.	428 034	640 149	220 821	148 442	1 437 446	2 045 301

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Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)	Pre-payments for fixed assets (project 124000075)	Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2007.	1 813 461	-	576	38 052	1 852 089	2 635 285
Purchased				584	584	831
Written-off						-
31.03.2008.	1 813 461	-	576	38 636	1 852 673	2 636 116
Depreciation						
31.12.2007.	46 468	-	-	-	46 468	46 468
Calculated	45 337	-	-	-	45 337	64 509
Written-off	-	-	-	-	-	-
31.03.2008.	91 805	-	-	-	91 805	130 627
Net book value						
31.12.2007.	1 766 993	-	576	38 052	1 805 621	2 569 167
Net book value						
31.03.2008.	1 721 656	-	576	38 636	1 760 868	2 505 489

Fixed assets are shown in the Balances Sheet as per their net book value.

Buildings, constructions, technological equipments and auto vehicles are insured.

14. Raw materials

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Raw materials				
Inventory in use	336 101	478 229	302 578	430 530
Unfinished goods	13 295	18 917	13 419	19 094
finished goods and goods in warehouse	296 211	421 470	142 073	202 152
Total	645 607	918 616	458 070	651 776

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15. Advance payments for goods	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Advance payments for materials	29 936	42 595	19 198	27 316
Advance payments to non-residents	45 152	64 246	36 012	51 240
Goods in bonded storage	-	-	129 462	184 208
Total	75 088	106 841	184 672	262 764
16. Trade receivables	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Receivables (non-residents)	263 503	374 931	291 608	414 921
Receivables (residents)	148 666	211 533	135 418	192 682
Book value of purchases and customers, total	412 169	586 464	427 026	607 603
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	412 169	586 464	427 026	607 603
17. Other receivables	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)	1 953	2 779	2 649	3 769
VAT overpaid to the state budget	-	-	7 531	10 716
Nature Resource tax overpaid to the state budget	-	-	321	457
Settlements with employees	-	-	-	-
Tax pre-payments for customs procedures	14 235	20 255	44 367	63 129
Loans to employees	1 799	2 560	3 017	4 293
Other loans	3 924	5 583	3 712	5 282
Others	44 489	63 302	21 687	30 858
Total	2 259	3 214	6 338	9 018
	68 659	97 693	89 622	127 522
18. Deferred expenses	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Insurance expenses	3 695	5 258	8 283	11 786
Expenses for repairs of buildings and premises	14 774	21 022	20 411	29 042
Expenses for implementation of project Nr.124000075	310 518	441 827	326 861	465 081
Expenses for reconstruction of block I-2	581 464	827 349	207 665	295 481
Other expenses	5 252	7 473	19 278	27 430
Total	915 703	1 302 929	582 498	828 820
19. Cash and cash equivalents	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Cash on hand	857	1 219	-	-
Cash in bank accounts	31 768	45 202	7 836	11 150
Total	32 625	46 421	7 836	11 150

Notes to the Balance Sheet (continued)

20. Information about company's share capital

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On 31.03.2008 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.
Larges shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2008.03.31	2007.03.31	2008.03.31	2007.03.31	2008.03.31	2007.03.31
Baltlains Intern SIA	1270612	1270612	1270612	1270612	1807918	1807918
VSAA	192694	192694	192694	192694	274179	274179
Eduards Maļejevs	423559	423559	423559	423559	602670	602670
Jurijs Maļejevs	421871	421871	421871	421871	600268	600268
Pārējie (<5%)	240348	240348	240348	240348	341984	341984
Kopā:	2549084	2549084	2549084	2549084	3627020	3627020

21. Retained earnings/losses

In accordance with decisions of Shareholders' meetings, losses of previous year remain uncovered, those shall be covered from the next years' profits.

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Previous years' retained earnings/losses	-409 633 -	582 855 -	424 999 -	604 719
Current year profit/loss	532 369	757 493 -	65 165 -	92 721
Total	122 736	174 638 -	490 164 -	697 440

22. Long-term loans from lending institutions

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Loan from JSC SEB Latvijas Unibanka (EUR)	1 140 419	1 622 670	1 125 155	1 600 951
Total	1 140 419	1 622 670	1 125 155	1 600 951

In accordance with Loan Agreement Nr.KD04277 from 24.11.2005, obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Landbook section Nr.18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075 for the amount of 1813461 LVL.

23. Other loans (long-term)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzings un Faktoringis	54 425	77 440	65 059	92 571
Financial lease from SIA Nord/LB Līzings (EUR)	24 099	34 290	36 784	52 339
Financial lease from SIA Hansa Līzings (USD)	-	-	2 649	3 769
Financial lease from SIA Hansa Līzings (EUR)	3 224	4 587	9 407	13 385
Financial lease from SIA Unilīzings (EUR)	18 590	26 451	8 907	12 674
Total	100 338	142 768	122 806	174 738

24. Deferred income (long-term)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)	590 838	840 687	772 185	1 098 720
Total	590 838	840 687	772 185	1 098 720

Notes to the Balance Sheet (continued)

25. Deferred taxation

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR

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Deferred Corporate Income Tax	-	-		
Total	-	-		

26. Short-term loans from lending institutions	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Latvijas Unibanka (LVL)	128 181	182 385	197 148	280 516
Loan from JSC SEB Latvijas Unibanka (EUR)	151 201	215 140	9 187	13 072
Total	279 382	397 525	206 335	293 588

In accordance with Loan Agreement Nr.KD04277 from 24.11.2005, obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Landbook section Nr.18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075 for the amount of 1813461 LVL.

In accordance with Credit Lina Agreement Nr.KD06369 from 17.11.2006, obligations are secured with Commercial Pledge on reserves and claim rights as a whole. Maximum amount of claim is 260000 LVL.

27. Other loans (short-term)	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringis	8 022	11 414	7 660	10 899
Financial lease from SIA Nord/LB Līzings (EUR)	9 560	13 603	9 190	13 076
Financial lease from SIA Hansa Līzings (USD)	1 552	2 208	2 286	3 253
Financial lease from SIA Hansa Līzings (EUR)	4 669	6 643	4 413	6 279
Financial lease from SIA Unilīzings (EUR)	13 241	18 840	2 132	3 034
Factoring from JSC HVB Bank Latvija (EUR)	-	-	-	-
Faktoringis SIA Unilīzings (EUR)	75 540	107 484	62 423	88 820
SIA Baltlains Plus (USD)	-	-	-	-
Credit cards	-	-	9 605	13 667
Total	112 584	160 192	97 709	139 028

28. Advances from customers	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Advances from non-residents	2 641	3 758	3 592	5 111
Advances from residents	182 554	259 751	200 362	285 089
Total	185 195	263 509	203 954	290 200

29. Due to suppliers and providers (short-term)	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	50 778	72 251	15 853	22 557
Trade accounts payable to residents	189 376	269 458	219 571	312 421
Total	240 154	341 709	235 424	334 978

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Personal Income Tax	46 429	66 063	31 246	44 459
State Social Insurance payments	56 747	80 744	39 571	56 304
Value Added Tax	2 164	3 079	-	-
Real estate tax for building and constructions	43 939	62 520	43 370	61 710
Real estate tax for land	1 984	2 823	1 742	2 479
Nature resources tax	614	874	-	-
Corporate risk tax	80	114	4	6
Total	151 957	216 217	115 933	164 958

31. Other liabilities

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Salaries	46 938	66 787	45 998	65 449
Advance settlement amounts	-	-	-	-
Deposits	29 641	42 175	34 009	48 390
Other creditors	-	-	7 209	10 257
Total	76 579	108 962	87 216	124 096

32. Deferred income (short-term)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Next year's rent for premises	-	-	0	-
Income from privatisation certificates	9441	13 433	48331	68 769
Income from grant financing (project Nr.124000075)	136 010	193 525	181 347	258 034
Total	145 451	206 958	229 678	326 803

Notes to the Financial Statements

General Notes

	<u>2008.gads</u>		<u>2007.gads</u>	
1. Average number of employees during the year				
Average number of employees during the year	<u>185</u>		<u>212</u>	
	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
2. Total personnel costs	230 347	327 754	221 280	314 627
- salaries	186 653	265 583	179 266	255 073
- Social security payments	43 555	61 973	41 855	59 554
- Corporate risk tax	139	198	159	226
- including:				
Management salaries				
- salaries	13 500	19 209	13 500	19 209
- Social security payments	2 892	4 115	2 892	4 115
- Corporate risk tax	2	3	2	3
- total:	16 394	23 327	16 394	23 327

Taxes and social security payments

Type of tax	2008		2007	
	LVL	EUR	LVL	EUR
(-) underpayment, (+) overpayment				
Personal income tax	-46429	-66063	-31246	-44459
State social security obligatory payments	-56747	-80744	-39571	-56304
Value added tax	-2164	-3079	7531	10716
Real estate tax for building and constructions	-43939	-62520	-43369	-61709
Real estate tax for land	-1984	-2823	-1742	-2479
Nature resources tax	-614	-874	321	457
Corporate risk tax	-80	-114	4	6
	-151957	-216217	-108072	-153772

Annual report is accepted and signed from page 1 till 25

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Gunars Lacis