

JSC "VEF Radiotehnika RRR"

Unified Registration Nr. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

**Main activities:
production**

Measurement units: Ls (LVL)

2009 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 11.12.1998</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>Janis Salenieks</i>			
Council Member	<i>Andris Prikass</i>			
Council Member	<i>Janis Olekss</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>Inga Spruga</i>			
Reporting year	<i>from</i>	<i>01.01.2009</i>	<i>till</i>	<i>31.03.2009</i>
Previous reporting period	<i>from</i>	<i>01.01.2008</i>	<i>till</i>	<i>31.12.2008</i>
Chief Accountant	<i>Gunars Lacis</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 2009, 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:	-158897 LVL
Other taxes:	-25586 LVL
Net result:	-184483 LVL

Net turnover for Q-1 2009 is 467172 Ls and has grown by 12,2 % in comparison with 2008.

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 (%)	-39.89
Operating profit margin (%)	-27.82
Gross profit margin (%)	-15.55

Financial profitability (%)

Return on capital	-2.89
Return on equity	-8.89

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 2009, 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

Member of the Board

Jurijs Malejevs

Member of the Board

Inga Spruga

29.05.2008

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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, 2009, 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 activities.

Chairman of the Board

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Member of the Board

Jurijs Maļejevs

Member of the Board

Inga Spruga

29.05.2008

***PROFIT AND LOSS STATEMENT
FOR THE PERIOD ENDED***

31.03.2009 (per turnover (period) costs method)

	Note	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	467 172	664 726	532 369	757 493
Cost of sales	2	(479 806)	(682 702)	(368 960)	(524 983)
Gross profit or loss		(12 634)	(17 976)	163 409	232 510
Selling expenses	3	(9 394)	(13 366)	(10 956)	(15 589)
Administrative expenses	4	(86 251)	(122 724)	(112 244)	(159 709)
Other operating income	5	48 076	68 406	62 304	88 651
Other operating expenses	6	(9 791)	(13 931)	(10 664)	(15 174)
Interest income and similar income	7	15	21	89	127
Interest expense and similar expenses	8	(28 918)	(41 147)	(30 325)	(43 149)
Profit or loss before extraordinary items and taxes		(98 897)	(140 717)	61 613	87 667
Profit or loss after extraordinary items and before taxes		(98 897)	(140 717)	61 613	87 667
Deferred corporate income tax for the reporting period	9	-	-	-	-
Other taxes	10	(25 586)	(36 406)	(24 537)	(34 913)
Profit or loss for the period		(124 483)	(177 123)	37 076	52 754
Earnings per share (EPS coefficient)		(0.049)	(0.069)	0.015	0.021

Chairman of the Board

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29.05.2008

BALANCE SHEET as on 31.03.2009.

ASSETS		Note	2009	2009	2008	2008
		nr.	LVL	EUR	LVL	EUR

BALANCE SHEET as on 31.03.2009.

**LIABILITIES AND
SHAREHOLDERS' EQUITY**

1. Shareholders' equity:

	Note nr.	2009 LVL	2009 EUR	2008 LVL	2008 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	- 392 949	- 559 116	- 409 633	- 582 855
b) current year profit/(loss)	21	- 124 483	- 177 123	37 076	52 754
Total shareholders' equity:		2 031 652	2 890 781	2 176 527	3 096 919

2. Provisions:

Total provisions:		-	-	-	-
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3. Liabilities:

I. Non-current liabilities:

Loans from lending institutions	22	1 629 467	2 318 523	1 140 419	1 622 670
Other loans	23	66 151	94 124	100 338	142 768
Deferred income	24	409 491	582 653	590 838	840 687
Deferred tax liabilities	25		-		-
Total non-current liabilities:		2 105 109	2 995 300	1 831 595	2 606 125

II. Current liabilities:

Loans from lending institutions	26	383 457	545 610	279 382	397 525
Other loans	27	65 801	93 626	112 584	160 193
Advances from customers	28	89 003	126 640	185 195	263 509
Trade accounts payable	29	355 435	505 738	240 154	341 708
Taxes and social security liabilities	30	205 382	292 232	151 957	216 215
Other liabilities	31	50 934	72 473	76 579	108 962
Deferred income	32	136 011	193 526	145 451	206 958
Accrued liabilities	33	96 961	137 963	56 614	80 554
Total current liabilities:		1 382 984	1 967 808	1 247 916	1 775 624

Total liabilities:		3 488 093	4 963 108	3 079 511	4 381 749
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		5 519 745	7 853 890	5 256 038	7 478 668
		-	-	-	-

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29.05.2008

CASH FLOW STATEMENT FOR THE PERIOD ENDED
31.03.2009 (per indirect method)

I. Cash flow from operating activity

Profit or loss before extraordinary items and taxes

Adjustments for:

- a) depreciation of fixed assets
- b) amortisation of goodwill
- c) provisions (except for provisions for bad debts)
- d) Profit or loss from the exchange rate fluctuations
- e) ieņēmumi no līdzdalības koncerna meitas un asociēto sabiedrību kapitālos
- f) income from subsidies, grants, gifts or donations
- g) other income from interest or similar income
- h) profit/loss from sale of fixed assets
- i) interest payments and similar activities
- k) other taxes

Profit or loss before current assets and short-term liabilities corrections

Adjustments for:

- a) trade receivables increase (-) or decrease (+)
- b) inventory increase (-) or decrease (+)
- c) accounts payable to suppliers and other creditors increase (+) or decrease (-)

Gross cash flow from operating activities

Interest payments

Cash flow before extraordinary items

Net cash flow from operating activity

II. Cash flow from investing activities

Acquisition of fixed assets

Income from fixed assets sale

Loans issued

Loans repaid

Interest received

Saņemtās dividendes

Net cash flow from investing activities

III. Cash flow from financing activities

Ieņēmumi no akciju un obligāciju emisijas vai kapitāla līdzdalīb. daļu ieguldījumiem

Loans received

Received subsidies, grants, gifts or donations

Loans repaid

Rented asset buyout expenses

Interest paid

Net cash flow from financing activities

IV. Foreign exchange rate differences

V. Net cash flow for the year

VI. Cash and cash equivalents at the beginning of the period

VII. Cash and cash equivalents at the end of the period

2009	2009	2008	2008
LVL	EUR	LVL	EUR
- 98 897	- 140 718	61 613	87 667
76 457	108 789	82 513	117 405
156	222	427	608
-	-	-	-
(3 225)	(4 589)	7 110	10 117
-	-	-	-
(45 337)	(64 509)	(45 337)	(64 509)
(15)	(21)	(89)	(127)
-	-	-	-
28 918	41 147	25 484	36 260
(25 586)	(36 406)	(24 537)	(34 913)
(67 529)	(96 085)	107 184	152 509
18 043	25 673	(14 483)	(20 607)
93 020	132 356	(137 065)	(195 026)
75 802	107 857	(268 056)	(381 409)
119 336	169 800	(312 420)	(444 534)
(28 918)	(41 147)	(25 484)	(36 260)
90 418	128 653	(337 904)	(480 794)
90 418	128 653	(337 904)	(480 794)
(1 874)	(2 666)	(33 643)	(47 870)
-	-	615 000	875 066
-	-	-	-
-	-	1 759	2 503
15	21	89	127
-	-	-	-
(1 859)	(2 645)	583 205	829 826
-	-	-	-
7 708	10 968	97 878	139 268
-	-	-	-
(88 698)	(126 206)	(324 791)	(462 136)
(10 202)	(14 516)	(10 463)	(14 888)
-	-	-	-
(91 192)	(129 755)	(237 376)	(337 756)
(26)	(37)	-	-
(2 659)	(3 784)	7 925	(11 276)
3 530	5 023	24 700	35 145
871	1 239	32 625	46 421

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Member of the Board

Inga Spruga

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR Q 2009

	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 2007.g. 31.decembrī	2 549 084	-	-	- 15 366	- 424 999	2 139 451
Peļņas pārvešana				- 15 366	15 366	-
Pārskata gada peļņa				16 684		16 684
Atlikums 2008.g. 31.decembrī	2 549 084	-	-	16 684	- 409 633	2 156 135
Peļņas pārvešana				- 16 684	16 684	-
Pārskata gada peļņa				- 124 483		- 124 483
Atlikums 2009.gada 31.martā	2 549 084	-	-	- 124 483	- 392 949	2 031 652

	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 2007.g. 31.decembrī	3 627 020	-	-	56 637	- 904 369	2 779 288
Peļņas pārvešana				- 21 864	21 864	-
Pārskata gada peļņa				23 739		23 739
Atlikums 2008.g. 31.decembrī	3 627 020	-	-	58 512	- 882 505	2 803 027
Peļņas pārvešana				- 23 739	23 739	-
Pārskata gada peļņa				- 177 123		- 177 123
Atlikums 2009.gada 31.martā	3 627 020	-	-	- 177 123	- 559 116	2 890 780

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29.05.2008

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 01.01.2009 to 31.03.2009.

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:

	2009.31.03	2008.31.12	2007.31.12
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, from 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.

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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 due 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	2009		2008	
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	154 162	219 353	137 006	194 942
Income from rent of premises	125 551	178 643	188 743	268 557
Income from sale of finished goods in the local market	49 798	70 856	59 815	85 109
Income from utility services	136 622	194 396	146 512	208 468
Income from galvanization services		-		-
Income from sale of materials	1 039	1 478	293	417
Total	467 172	664 726	532 369	757 493

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	2009		2008	
Personnel costs	98 872	140 682	136 984	194 911
Depreciation of fixed assets	26 299	37 420	37 603	53 504
Depreciation of fixed assets (project 124000075)	50 313	71 589	45 337	64 509
Write-off of current assets		-		-
Changes in finished goods inventory	72 823	103 618	34 312	48 822
Changes in purchased materials and goods inventory	41 179	58 592	80 468	114 496
Services for productions	14 650	20 845	3 219	4 580
Ongoing maintenance and repair	2 276	3 238	1 942	2 763
Real estate property maintenance	171 320	243 766	97 321	138 475
Other costs	2 074	2 951	398	566
Total	479 806	682 701	368 960	524 982

Notes to the Profit and Loss statement entries (continued)

Sales costs	2009		2008	
	LVL	EUR	LVL	EUR
Cost type	8 715	12 400	10 143	14 432
Goods' transport costs	358	509	354	504
Sales costs	-	-	-	-
Bonuses, discounts	321	457	459	653
Advertising costs	9 394	13 366	10 956	15 589
Total	-	-	-	-

Note Nr. 4

Administrative costs

Cost type	2009		2008	
Personnel costs	67 216	95 640	93 363	132 844
Representation costs	592	842	3 403	4 842
Office expenses	1 959	2 787	3 425	4 873
Communication expenses	4 602	6 548	4 051	5 764
Bank expenses	687	978	901	1 282
Transport costs	5 119	7 284	6 527	9 287
Accounting and legal expenses	833	1 185	556	791
Other administrative costs	5 243	7 460	18	26
Total	86 251	122 724	112 244	159 709

Note Nr. 5

Other incomes from operating activity

Type on income	Ieņēmumi		Izdevumi	
	LVL	LVL	LVL	LVL
Income from privatisation certificates		-	7 582	10 788
Incomes from Grant.fin.(124000075)	45 337	64 509	45 337	64 509
Other income	2 739	3 897	9 385	13 354
Total	48 076	68 406	62 304	88 651

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	Ieņēmumi		Izdevumi	
	LVL	LVL	LVL	LVL
Difference in currency rates	64	91	7 110	10 117
Sale of fixed assets	1 874	2 666	958	1 363
Other expenses *	7 853	11 174	2 596	3 694
Total	9 791	13 931	10 664	15 174

Note Nr. 7

Other interest and similar income

Type of income	LVL		EUR	
Interest received on account balances	89	127	89	127
Received penalties / fines	-	-	-	-
Net profit from foreign currency rate fluctuation	89	127	89	127
Total	-	-	-	-

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense	2009		2008	
	LVL	EUR	LVL	EUR
Interest paid on loans	28918	41 147	25484	36 260
Loss from foreign currency rate fluctuations		-	4841	6 888
Fines/penalties paid		-		-
Total	28 918	41 147	30 325	43 148

Note Nr. 9

Deferred Corporate Income Tax

Total:

Note Nr. 10 Other taxes	2009		2008	
	LVL	EUR	LVL	EUR
Real estate tax for land	2 480	3 529	1 984	2 823
Real estate tax for buildings and constructions	23 106	32 877	22 553	32 090
Total:	25 586	36 406	24 537	34 913

Notes to the Financial Statements

Notes to the Balance Sheet as on March 31, 2009.

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						
31.12.2008.	7 363	-	-	-	7 363	10 477
Purchased		-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.03.2009.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2008.	6 240	-	-	-	6 240	8 879
Calculated	156	-	-	-	156	222
Written-off	-	-	-	-	-	-
31.03.2009.	6 396	-	-	-	6 396	9 101
Net book value						
31.12.2008.	1 123	-	-	-	1 123	1 598
Net book value						
31.03.2009.	967	-	-	-	967	1 376

12. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2008.	428 034	1 141 632	632 341	318 284	2 520 291	3 586 051
Purchased			14 364	223	14 587	20 755
Written-off					-	-
31.03.2009.	428 034	1 141 632	646 705	318 507	2 534 878	3 606 806
Depreciation						
31.12.2008	-	504 472	298 440	187 763	990 675	1 409 604
Calculated		4 313	12 065	9 766	26 144	37 200
Written-off					-	-
31.03.2009.	-	508 785	310 505	197 529	1 016 819	1 446 803
Net book value						
31.12.2008.	428 034	637 160	333 901	130 521	1 529 616	2 176 447
Net book value						
31.03.2009.	428 034	632 847	336 200	120 978	1 518 059	2 160 003

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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						
31.12.2008.	1 827 372	-		50 766	1 878 138	2 672 350
Purchased				1 650	1 650	2 348
Written-off			-	14 364	- 14 364	- 20 438
31.03.2009.	1 827 372	-	-	38 052	1 865 424	2 654 259
Depreciation						
31.12.2008.	409 162	-	-	-	409 162	409 162
Calculated	50 313	-	-	-	50 313	71 589
Written-off	-	-	-	-	-	-
31.03.2009.	459 475	-	-	-	459 475	653 774
Net book value						
31.12.2008.	1 418 210	-	-	50 766	1 468 976	2 090 165
Net book value						
31.03.2009.	1 367 897	-	-	38 052	1 405 949	2 000 485

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

Raw materials
Inventory in use
Unfinished goods
finished goods and goods in warehouse

Total

2009	2009	2008	2008
LVL	EUR	LVL	EUR
	-		-
7 194	10 236	13 295	18 917
245 669	349 555	296 211	421 470
252 863	359 791	309 506	440 387

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15. Advance payments for goods		2009	2009	2008	2008
		LVL	EUR	LVL	EUR
Advance payments for materials		13 167	18 735	29 936	42 595
Advance payments to non-residents		43 539	61 950	45 152	64 246
Goods in bonded storage		-	-	-	-
Total		56 706	80 685	75 088	106 841
16. Trade receivables		2009	2009	2008	2008
		LVL	EUR	LVL	EUR
Receivables (non-residents)		271 344	386 088	263 503	374 931
Receivables (residents)		276 071	392 814	148 666	211 533
Book value of purchases and customers, total		547 415	778 902	412 169	586 464
Provisions for doubtful debts		-	-	-	-
Net trade receivables, total		547 415	778 902	412 169	586 464
17. Other receivables		2009	2009	2008	2008
		LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)		1 917	2 728	1 953	2 779
Tax pre-payments for customs procedures		49 775	70 823	14 235	20 255
Loans to employees		3 683	5 240	1 799	2 560
Other loans		5 394	7 675	3 924	5 583
Others		50 019	71 171	44 489	63 302
Total		240	341	2 259	3 214
18. Deferred expenses		2009	2009	2008	2008
		LVL	EUR	LVL	EUR
Insurance expenses		4 875	6 937	3 695	5 258
Expenses for repairs of buildings and premises		11 017	15 676	14 774	21 022
Expenses for implementation of project Nr.124000075		316 372	450 157	310 518	441 827
Expenses for reconstruction of block I-2		904 821	1 287 444	581 464	827 349
Other expenses		3 426	4 875	5 252	7 473
Total		1 240 511	1 765 089	915 703	1 302 929
19. Cash and cash equivalents		2009	2009	2008	2008
		LVL	EUR	LVL	EUR
Cash on hand		434	618	857	1 219
Cash in bank accounts		437	622	31 768	45 202
Total		871	1 240	32 625	46 421

Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 31.03.2009 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:

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Shareholders	Number of shares		Value			
			LVL		EUR	
	31.03.2009	31.03.2008	09.01.1900	08.01.1900	09.01.1900	08.01.1900
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.

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Previous years' retained earnings/losses	-392 949 -	559 116	-409 633 -	582 855
Current year profit/loss	-124 483 -	177 123	37 076	52 754
Total	- 517 432 -	736 239	- 372 557 -	530 101

22. Long-term loans from lending institutions

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Loan from JSC SEB Latvijas Unibanka (EUR)	1 629 467	2 318 523	1 140 419	1 622 670
Total	1 629 467	2 318 523	1 140 419	1 622 670

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)

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzings un Faktoring	43 287	61 592	54 425	77 440
Financial lease from SIA Nord/LB Līzings (EUR)	11 409	16 234	24 099	34 290
Financial lease from SIA Hansa Līzings (USD)	-	-	-	-
Financial lease from SIA Hansa Līzings (EUR)	-	-	3 224	4 587
Financial lease from SIA Unilīzings (EUR)	11 461	16 308	18 590	26 451
Total	66 157	94 134	100 338	142 768

24. Deferred income (long-term)

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)	409 491	582 653	590 838	840 687
Total	409 491	582 653	590 838	840 687

26. Short-term loans from lending institutions

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Latvijas Unibanka (LVL)	197 982	281 703	128 181	182 385
Loan from JSC SEB Latvijas Unibanka (EUR)	185 475	263 907	151 201	215 140
Total	383 457	545 610	279 382	397 525

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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)	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringa	8 401	11 954	8 022	11 414
Financial lease from SIA Nord/LB Līzings (EUR)	9 946	14 152	9 560	13 603
Financial lease from SIA Hansa Līzings (USD)		-	1 552	2 208
Financial lease from SIA Hansa Līzings (EUR)	1 624	2 311	4 669	6 643
Financial lease from SIA Unilīzings (EUR)	10 351	14 728	13 241	18 840
Faktoringa SIA Unilīzings (EUR)	35 479	50 482	75 540	107 484
Total	65 801	93 627	112 584	160 192

28. Advances from customers	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Advances from non-residents	11	16	2 641	3 758
Advances from residents	88 992	126 624	182 554	259 751
Total	89 003	126 640	185 195	263 509

29. Due to suppliers and providers (short-term)	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	78 294	111 402	50 778	72 251
Trade accounts payable to residents	277 141	394 336	189 376	269 458
Total	355 435	505 738	240 154	341 709

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Personal Income Tax	54 557	77 628	46 429	66 063
State Social Insurance payments	97 597	138 868	56 747	80 744
Value Added Tax	3 977	5 659	2 164	3 079
Real estate tax for building and constructions	49 049	69 790	43 939	62 520
Real estate tax for land		-	1 984	2 823
Nature resources tax	85	121	614	874
Corporate risk tax	117	166	80	114
Total	205 382	292 232	151 957	216 217

31. Other liabilities	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Salaries	22 585	32 136	46 938	66 787
Deposits	28 307	40 277	29 641	42 175
Other creditores		-		-
Total	50 892	72 413	76 579	108 962

32. Deferred income (short-term)	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Next year's rent for premises		-		-
Income from privatisation certificates		-	9441	13 433
Income from grant financing (project Nr.124000075)	136 011	193 526	136 010	193 525
Total	136 011	193 526	145 451	206 958

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

2009.gads	2008.gads
185	185

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax
- including:

Management salaries

- salaries
- Social security payments
- Corporate risk tax
- total:

2009	2009	2008	2008
LVL	EUR	LVL	EUR
230 347	327 754	230 347	327 754
186 653	265 583	186 653	265 583
43 555	61 973	43 555	61 973
139	198	139	198
13 500	19 209	13 500	19 209
2 892	4 115	2 892	4 115
2	3	2	3
16 394	23 327	16 394	23 327

Taxes and social security payments

Type of tax	2009		2008	
(-) underpayment, (+) overpayment	LVL	EUR	LVL	EUR
Personal income tax	-46429	-66063	-46429	-66063
State social security obligatory payments	-56747	-80744	-56747	-80744
Value added tax	-2164	-3079	-2164	-3079
Real estate tax for building and constructions	-43939	-62520	-43939	-62520
Real estate tax for land	-1984	-2823	-1984	-2823
Nature resources tax	-614	-874	-614	-874
Corporate risk tax	-80	-114	-80	-114
	-151957	-216217	-151957	-216217

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

Inga Spruga