

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

Main activities:
production

Measurement units: Ls (LVL)

2009 9 Months Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

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INFORMATION about the COMPANY

Full name of the Company *JSC "VEF Radiotehnika RRR"*

Legal status of the Company *Public Joint-Stock Company*

Unified Registration Nr., place and date of issuance *40003286712*
datums *11.12.1998*

Legal address of the Company *Kurzemes prospekts 3, Riga, LV-1067*
Telephone *67418087*
Postal address *Kurzemes prospekts 3, Riga, LV-1067*

Bank name and Company's bank accounts *AS "SEB Latvijas Unibanka"*
LV57UNLA0050006466330 (LVL)
LV55UNLA0050006466366 (EUR)
LV32UNLA0050006466392 (USD)

Council members of the JSC

Chairman of the Council *Janis Salenieks*
Council Member *Jurijs Malejevs*
Council Member *Inga Spruga*
Council Member *Ausma Smiltiece*
Council Member *Vjaceslavs Mihailovins*

Boar members of the JSC

Chairman of the Board *Eduards Malejevs*
Board Member *Gunars Lacis*
Board Member *Juris Voins*

Reporting year *from 01.01.2009 till 30.09.2009*

Previous reporting period *from 01.01.2008 till 31.12.2008*

Chief Accountant *Gunars Lacis* *67418087*

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 9 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:	-234752 LVL
Other taxes:	-76759 LVL
Net result:	-311511 LVL

Net turnover for 2009 is 953258 Ls and has decrease by 41,7 % 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 (%)	-32.68
Operating profit margin (%)	-16.87
Gross profit margin (%)	-1.83

Financial profitability (%)

Return on capital	-4.40
Return on equity	-15.61

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.

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

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

2009,30,11

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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 September 30, 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

Eduards Maļejevs

Member of the Board

Juris Voins

Member of the Board

Gunars Lacis

2009,30,11

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

30.09.2009 (per turnover (period) costs method)

	Note	2009	2009	2008	2008
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	953 258	1 356 364	1 636 486	2 328 510
Cost of sales	2	(970 735)	(1 381 231)	(1 216 393)	(1 730 771)
Gross profit or loss		(17 477)	(24 867)	420 093	597 739
Selling expenses	3	(20 411)	(29 042)	(37 016)	(52 669)
Administrative expenses	4	(217 090)	(308 891)	(350 096)	(498 142)
Other operating income	5	121 399	172 735	162 988	231 911
Other operating expenses	6	(27 271)	(38 803)	(16 180)	(23 022)
Interest income and similar income	7	16	23	203	289
Interest expense and similar expenses	8	(73 918)	(105 176)	(82 943)	(118 017)
Profit or loss before extraordinary items and taxes		(234 752)	(334 021)	97 049	138 089
Profit or loss after extraordinary items and before taxes		(234 752)	(334 021)	97 049	138 089
Deferred corporate income tax for the reporting period	9	-	-	-	-
Other taxes	10	(76 759)	(109 218)	(91 090)	(129 609)
Profit or loss for the period		(311 511)	(443 239)	5 959	8 480
Earnings per share (EPS coefficient)		(0.122)	(0.174)	0.0023	0.0033

Chairman of the Board

Eduards Maļejevs

Member of the Board

Juris Voins

Member of the Board

Gunars Lacis

2009,30,11

BALANCE SHEET as on 30.09.2009.

ASSETS	Note nr.	2009 LVL	2009 EUR	2008 LVL	2008 EUR
1. Non-current assets					
I. Intangible assets:					
Concessions, patents, licenses, trade marks and similar rights	11	672	956	1 278	1 818
Total intangible assets:		672	956	1 278	1 818
II. Fixed assets:					
Land, buildings and constructions		1 052 256	1 497 225	1 039 659	1 479 301
Equipment and vehicles		1 578 590	2 246 131	1 648 015	2 344 914
Other fixed assets		99 140	141 064	125 197	178 139
Construction of fixed assets and unfinished construction objects		38 052	54 143	128 517	182 863
Advance payments for fixed assets		-	-	-	-
Total fixed assets:	12	2 768 038	3 938 563	2 941 388	4 185 217
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	520	740
Deferred taxation assets		60 113	85 533	55 339	78 740
Total long-term financial investments:		60 633	86 273	55 859	79 480
Total non-current assets:		2 829 343	4 025 792	2 998 525	4 266 515
2. Current assets					
I. Inventory:					
Raw materials	13	328 032	466 747	403 133	573 607
Work in process	14	7 255	10 323	10 533	14 987
Finished goods	14	261 251	371 727	255 415	363 423
Advance payments for materials	15	61 174	87 043	130 177	185 225
Total inventory:		657 712	935 840	799 258	1 137 242
II. Sales-deferred long-term investments					
Total sales-deferred long-term investments:		-	-	-	-
III. Receivables:					
Trade receivables	16	481 474	685 076	497 583	707 997
Other receivables	17	118 205	168 191	102 571	145 945
Deferred expenses	18	1 217 876	1 732 881	1 074 674	1 529 123
Total receivables:		1 817 555	2 586 148	1 674 828	2 383 065
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					
Total currents assets:	19	5 731	8 154	19 456	27 683
TOTAL ASSETS:		5 310 355	7 555 954	5 492 081	7 814 527

BALANCE SHEET as on 30.09.2009.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note nr.	2009 LVL	2009 EUR	2008 LVL	2008 EUR
1. Shareholders' equity:					
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	- 311 511	- 443 239	5 959	8 479
Total shareholders' equity:		1 844 624	2 624 665	2 145 410	3 052 644
2. Provisions:					
Total provisions:		63 790	90 765	-	-
3. Liabilities:					
I. Non-current liabilities:					
Loans from lending institutions	22	1 629 467	2 318 523	1 581 234	2 249 893
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	2 272 410	3 233 348
II. Current liabilities:					
Loans from lending institutions	26	318 059	452 557	287 831	409 547
Other loans	27	67 925	96 649	122 284	173 994
Advances from customers	28	50 634	72 046	129 697	184 542
Trade accounts payable	29	463 920	660 099	214 376	305 030
Taxes and social security liabilities	30	240 971	342 871	122 493	174 292
Other liabilities	31	83 659	119 036	80 077	113 939
Deferred income	32	60 449	86 011	45 337	64 509
Accrued liabilities	33	11 215	15 958	72 166	102 683
Total current liabilities:		1 296 832	1 845 227	1 074 261	1 528 535
Total liabilities:		3 401 941	4 840 527	3 346 671	4 761 883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		5 310 355	7 555 954	5 492 081	7 814 527

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

2009,30,11

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712

Financial Statements for the period from 01.01.2006 to 31.12.2006.

CASH FLOW STATEMENT FOR THE PERIOD ENDED

30.09.2009 (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) depreciation of non material assets.

d) Profit or loss from the exchange rate fluctuations

f) income from subsidies, grants, gifts or donations

g) other income from interest or similar income

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

Net cash flow from investing activities

III. Cash flow from financing activities

Loans received

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	
-	234 752	-	334 022	97 049	138 088
a) depreciation of fixed assets	229 330	326 307	248 662	353 814	
b) depreciation of non material assets.	451	642	1 045	1 487	
d) Profit or loss from the exchange rate fluctuations	(120 898)	(172 022)	(136 010)	(193 525)	
f) income from subsidies, grants, gifts or donations	(16)	(23)	(203)	(289)	
g) other income from interest or similar income	(258)	(367)	-	-	
i) interest payments and similar activities	(76 759)	(109 218)	(91 090)	(129 609)	
k) other taxes					
Profit or loss before current assets and short-term liabilities corrections	(124 252)	(176 795)	202 065	287 512	
<i>Adjustments for:</i>	95 369	135 698	(196 471)	(279 553)	
a) trade receivables increase (-) or decrease (+)	70 806	100 748	(115 628)	(164 524)	
b) inventory increase (-) or decrease (+)	187 166	266 313	(563 956)	(802 437)	
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	229 089	325 964	(673 990)	(959 002)	
Gross cash flow from operating activities	(73 918)	(105 176)	(82 943)	(118 017)	
Interest payments		-	-	-	
Cash flow before extraordinary items	-	-	-	-	
Net cash flow from operating activity					
II. Cash flow from investing activities					
Acquisition of fixed assets	3 355	4 774	615 240	875 408	
Income from fixed assets sale	-	-	-	-	
Loans issued	-	-	1 759	2 503	
Loans repaid	16	23	203	289	
Interest received		-	-	-	
Net cash flow from investing activities	1 497	2 130	525 705	748 011	
III. Cash flow from financing activities					
Loans received	17 127	24 370	543 176	772 870	
Rented asset buyout expenses	(32 618)	(46 411)	(30 918)	(43 992)	
Interest paid		-	-	-	
Net cash flow from financing activities	(154 467)	(219 787)	226 019	321 596	
IV. Foreign exchange rate differences	-	-	(35)	(50)	
V. Net cash flow for the year	2 201	3 131	(5 244)	(7 462)	
VI. Cash and cash equivalents at the beginning of the period	3 530	5 023	24 700	35 145	
VII. Cash and cash equivalents at the end of the period	5 731	8 154	19 456	27 683	

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

2009,30,11

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2009 9 months Report

	Subscribed share capital	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	LVL	LVL	LVL	LVL	LVL	LVL
Balance as on December 31, 2007	2 549 084	-	-	15 366	- 424 999	2 139 451
Profit carried over				- 15 366	15 366	-
Profit for the year				16 684		16 684
Balance as on December 31, 2008	2 549 084	-	-	16 684	- 409 633	2 156 135
Profit carried over				- 16 684	16 684	-
Profit for the year				- 311 511		- 311 511
Balance as on September 30, 2009	2 549 084	-	-	- 311 511	- 392 949	1 844 624

	Subscribed share capital	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as on December 31, 2007	3 627 020	-	-	56 637	- 904 369	2 779 288
Profit carried over				- 21 864	21 864	
Profit for the year				23 739		23 739
Balance as on December 31, 2008	3 627 020	-	-	23 489	- 882 505	2 803 027
Profit carried over				- 23 739	23 739	
Profit for the year				- 443 240		- 443 240
Balance as on September 30, 2009	3 627 020	-	-	- 443 240	- 559 116	2 624 663

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

2009,30,11

Notes to the Financial Statements

1. Accounting Policies

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

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 30.09.2009.

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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:

	30.09.2009	#####	31.12.2007
USD	0.48	0.495	0.484
EUR	0.702804	0.7028	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

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712

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.

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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 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.

Reclassification of subjects (items)

In 2009, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2008.report.

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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	2009	2008	2008
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	258 456	367 750	650 568	925 675
Income from rent of premises	304 430	433 165	513 400	730 502
Income from sale of finished goods in the local market	141 872	201 866	165 130	234 959
Income from utility services	244 561	347 979	306 456	436 048
Income from sale of materials	3 939	5 605	932	1 326
Total	953 258	1 356 365	1 636 486	2 328 510

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

Cost type	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Personnel costs	192 625	274 081	427 503	608 282
Depreciation of fixed assets	78 841	112 181	111 388	158 491
Depreciation of fixed assets (project 124000075)	150 940	214 768	136 010	193 525
Write-off of cost of turnaround means	9 594	13 651	11 706	16 656
Changes in finished goods inventory	50 389	71 697	104 934	149 308
Changes in purchased materials and goods inventory	87 459	124 443	269 595	383 599
Services for productions	38 379	54 608	13 689	19 478
Ongoing maintenance and repair	24 971	35 531	3 863	5 497
Real estate property maintenance	327 572	466 093	295 892	421 016
Other costs	9 965	14 179	51 681	73 535
Total	970 735	1 381 232	1 216 393	1 730 771

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

Cost type	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Goods' transport costs	15 942	22 683	32 479	46 213
Sales costs	3 841	5 465	2 881	4 099
Advertising costs	628	894	1 656	2 356
Total	20 411	29 042	37 016	52 668

Note Nr. 4

Administrative costs

Cost type

Cost type	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Personnel costs	169 263	240 840	267 781	381 018
Representation costs	1 790	2 547	5 540	7 883
Office expenses	4 032	5 737	11 254	16 013
Communication expenses	10 320	14 684	14 715	20 938
Bank expenses	2 851	4 057	5 806	8 261
Transport costs	12 846	18 278	41 970	59 718
Accounting and legal expenses	1 752	2 493	1 476	2 100
Other administrative costs	14 236	20 256	1 554	2 211

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	Total	217 090	308 892	350 096	498 142
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Note Nr. 5

Other incomes from operating activity

Type on income	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Income from privatisation certificates	-	-	17 023	24 222
Receivables from grant financing (project 124000075)	120 898	172 022	136 010	193 525
Sale of fixed assets (neto income)	258	367	-	-
Other income	243	346	9 955	14 165
Total	121 399	172 735	162 988	231 912

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Difference in currency rates	5 593	7 958	5 695	8 103
Fines	9 541	13 576	2 092	2 977
Other expenses *	12 137	17 269	8 393	11 942
Total	27 271	38 803	16 180	23 022

Note Nr. 7

Other interest and similar income

Type of income	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Interest received on account balances	16	23	203	289
Received penalties / fines	-	-	-	-
Net profit from foreign currency rate fluctuations	-	-	-	-
Total	16	23	203	289

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Interest paid on loans	73918	105 176	82943	118 017
Total	73 918	105 176	82 943	118 017

Note Nr. 9

Deferred Corporate Income Tax

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Total:	-	-	-	-

Note Nr. 10

Other taxes

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Real estate tax for land	7 440	10 586	5 952	8 469
Real estate tax for buildings and constructions	69 319	98 632	85 138	121 140
Total:	76 759	109 218	91 090	129 609

Notes to the Financial Statements

Notes to the Balance Sheet as on September 30, 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	-	-	-	-	-	-
30.09.2009.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2008.	6 240	-	-	-	6 240	8 879
Calculated	451	-	-	-	451	642
Written-off	-	-	-	-	-	-
30.09.2009.	6 691	-	-	-	6 691	9 520
Net book value						
31.12.2008	1 123	-	-	-	1 123	1 598
Net book value						
30.09.2009.	672	-	-	-	672	956

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

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	224	14 588	20 757
Written-off			-	- 15 486	- 15 486	- 22 035
30.09.2009.	428 034	1 141 632	646 705	303 022	2 519 393	3 584 773
Depreciation						
31.12.2008.	-	504 472	298 440	187 763	990 675	1 409 604
Calculated		12 938	36 945	28 507	78 390	111 539
Written-off			-	- 12 388	- 12 388	- 17 627
30.09.2009.	-	517 410	335 385	203 882	1 056 677	1 503 516
Net book value						
31.12.2008.	428 034	637 160	333 901	130 521	1 529 616	2 176 447
Net book value						
30.09.2009.	428 034	624 222	311 320	99 140	1 462 716	2 081 257

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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
30.09.2009.	1 827 372	-	-	38 052	1 865 424	2 654 259
Depreciation						
31.12.2008.	409 162	-	-	-	409 162	409 162
Calculated	150 940	-	-	-	150 940	214 768
Written-off	-	-	-	-	-	-
30.09.2009.	560 102	-	-	-	560 102	796 953
Net book value						
31.12.2008.	1 418 210	-	-	50 766	1 468 976	2 090 165
Net book value						
30.09.2009.	1 267 270	-	-	38 052	1 305 322	1 857 306

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

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

13. Raw materials

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Raw materials	212 142	301 851	277 693	395 122
Inventory in use	115 890	164 897	125 440	178 485
	328 032	466 748	403 133	573 607

14. Stock

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Unfinished goods	7 255	10 323	10 533	14 987
finished goods and goods in warehouse	261 251	371 727	255 415	363 423
Total	268 506	382 050	265 948	378 410

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15. Advance payments for goods	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Advance payments for materials	17 450	24 829	38 908	55 361
Advance payments to non-residents	43 724	62 214	91 269	129 864
Goods in bonded storage		-		-
Total	61 174	87 043	130 177	185 225

16. Trade receivables	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Receivables (non-residents)	275 539	392 057	369 596	525 888
Receivables (residents)	205 935	293 019	127 987	182 109
Book value of purchases and customers, total	481 474	685 076	497 583	707 997
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	481 474	685 076	497 583	707 997

17. Other receivables	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)	1 917	2 728	1 917	2 728
Settlements with employees	63 800	90 779	39 297	55 915
Tax pre-payments for customs procedures	3 683	5 240	3 853	5 482
Loans to employees	5 094	7 248	5 174	7 362
Other loans	42 175	60 010	47 555	67 665
Others	1 536	2 186	4 385	6 239
Total	118 205	168 191	102 181	145 391

18. Deferred expenses	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Insurance expenses	3 355	4 774	3 664	5 213
Expenses for repairs of buildings and premises	8 387	11 934	12 520	17 814
Expenses for implementation of project Nr.124000075	295 393	420 306	277 832	395 319
Expenses for reconstruction of block I-2	909 478	1 294 071	775 587	1 103 561
Other expenses	1 263	1 797	5 071	7 215
Total	1 217 876	1 732 882	1 074 674	1 529 122

19. Cash and cash equivalents	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Cash on hand	50	71	582	828
Cash in bank accounts	5 681	8 083	18 874	26 855
Total	5 731	8 154	19 456	27 683

Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 30.09.2009 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls. Large shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2009.09.30.	30.09.2008	2009.09.30.	30.09.2008	2009.09.30.	30.09.2008

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Baltlains Intern Ltd.	1270612	1270612	1270612	1270612	1807918	1807918
State Social Security A	192694	192694	192694	192694	274179	274179
Eduards Malejevs	423559	423559	423559	423559	602670	602670
Jurijs Malejevs	421871	421871	421871	421871	600268	600268
Others (<5%)	240348	240348	240348	240348	341984	341984
Total:	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	-311 511	- 443 240	5 959	8 479
Total	- 704 460	- 1 002 356	- 403 674	- 574 376

22. Long-term loans from lending institutions

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Loan from JSC SEB Banka (EUR)	1 629 467	2 318 523	1 581 234	2 249 893
Total	1 629 467	2 318 523	1 581 234	2 249 893

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 Līzins un Faktoring	43 287	61 592	54 425	77 440
Financial lease from SIA Nord/LB Līzings (EUR)	11 403	16 225	24 099	34 290
Financial lease from SIA Hansa Līzings (EUR)	-	-	3 224	4 587
Financial lease from SIA SEB līzings (EUR)	11 461	16 308	18 590	26 451
Total	66 151	94 125	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

Notes to the Balance Sheet (continued)

25. Deferred taxation

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Deferred Corporate Income Tax	-	-	-	-
Total	-	-	-	-

26. Short-term loans from lending institutions

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Banka (LVL)	199 951	284 505	136 631	194 408

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Loan from JSC SEB Banka (EUR)	118 108	168 053	151 200	215 138
Total	318 059	452 558	287 831	409 546

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 Līzings un Faktoringas	2 733	3 889	2 705	3 849
Financial lease from SIA Nord/LB Līzings (EUR)	3 348	4 764	3 718	5 290
Financial lease from SIA Hansa Līzings (USD)	-	-	248	353
Financial lease from SIA Hansa Līzings (EUR)	-	-	1 578	2 245
Financial lease from SIA SEB līzings (EUR)	1 824	2 595	8 404	11 958
Faktorings SIA SEB līzings (EUR)	43 715	62 201	105 631	150 299
Credit cards	16 305	23 200	-	-
Total	67 925	96 649	122 284	173 994

28. Advances from customers

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Advances from non-residents	920	1 309	1 727	2 457
Advances from residents	49 714	70 737	127 970	182 085
Total	50 634	72 046	129 697	184 542

29. Due to suppliers and providers (short-term)

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	62 463	88 877	53 460	76 067
Trade accounts payable to residents	401 457	571 222	160 916	228 963
Total	463 920	660 099	214 376	305 030

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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	46 874	66 696	43 804	62 327
State Social Insurance payments	80 847	115 035	59 775	85 052
Value Added Tax	31 433	44 725		-
Real estate tax for building and constructions	81 774	116 354	18 871	26 851
Real estate tax for land				
Nature resources tax	-	-		
Corporate risk tax	43	61	43	61
Total	240 971	342 871	122 493	174 291

31. Other liabilities	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Salaries	59 443	84 580	46 005	65 459
Deposits	24 173	34 395	34 030	48 420
Other creditores	43	61	42	60
Total	83 659	119 036	80 077	113 939

32. Deferred income (short-term)	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)	60 449	86 011	45 337	64 509
Total	60 449	86 011	45 337	64 509

33. Accumulated obligated	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
1. Other				
2. Accumulated up for holidays	11 215	15 958	18 352	26 113
3. Accumulated up for				
- Social security payments			43 367	61 706
			10 447	14 865
Total	11 215	15 958	72 166	102 684

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

Year 2009	Year 2008
122	183

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax

2009	2009	2008	2008
LVL	EUR	LVL	EUR
362 335	515 556	694 873	988 716
293 307	417 338	563 690	802 059
68 754	97 828	131 183	186 657
274	390	411	585

- including:

Management salaries

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

23 225	33 046	40 500	57 626
4 844	6 892	5 784	8 230
7	10	7	10
28 076	39 948	46 291	65 866

Annual report is accepted and signed from page 1 till 27

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins