

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

Main activities:
production

Measurement units: Ls (LVL)

2010 6 month Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Information about the company | 3 |
| Management report | 4 |
| Notification of management's responsibility | 6 |
| Profit and Loss Statement | 7 |
| Balance Sheet | |
| Assets | 8 |
| Liabilities | 9 |
| Statement of Cash Flows | 10 |
| Statement of Changes in Share Capital | 11 |
| Addenda to the Annual Report: | |
| 1. Accounting policies and methods of usage | 12 |
| 2. Notes to Profit and Loss statement entries | 18 |
| 3. Notes to Balance Sheet entries | 21 |
| 4. General information | 27 |

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>Jurijs Malejevs</i> | | | |
| Council Member | <i>Inga Spruga</i> | | | |
| Council Member | <i>Ausma Smiltniece</i> | | | |
| Council Member | <i>Vjaceslavs Mihailovins</i> | | | |
| Boar members of the JSC | | | | |
| Chairman of the Board | <i>Eduards Malejevs</i> | | | |
| Board Member | <i>Gunars Lacis</i> | | | |
| Board Member | <i>Juris Voins</i> | | | |
| Reporting year | <i>from</i> | <i>01.01.2010</i> | <i>till</i> | <i>30.06.2010</i> |
| Previous reporting period | <i>from</i> | <i>01.01.2009</i> | <i>till</i> | <i>31.12.2009</i> |
| Chief Accountant | <i>Gunars Lacis</i> | | | |
| Telephone: | <i>67418087</i> | | | |
| 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 6 months of 2010, 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 2009. 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: | 53552 LVL |
| Other taxes: | -51108 LVL |
| Net result: | 2444 LVL |

Net turnover for Q-1 2010 is 631393 Ls and has grown by 15,4 % in comparison with 2009.

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 (%) | 0.39 |
| Operating profit margin (%) | 14.61 |
| Gross profit margin (%) | 10.76 |

Financial profitability (%)

| | |
|-------------------|------|
| Return on capital | 0.78 |
| Return on equity | 0.12 |

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 2010, 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

Gunars Lacis

Member of the Board

Juris Voins

26,08,2010

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, 2010, the corresponding accounting principles have been applied, their use was consistent and the protective and logical decisions had been made.

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

Chairman of the Board

Eduards Maļejevs

Member of the Board

Juris Voins

Member of the Board

Gunars Lacis

***PROFIT AND LOSS STATEMENT
 FOR THE PERIOD ENDED
 30.06.20010 (per turnover (period) costs method)***

| | Note | <u>2009</u> | <u>2009</u> | <u>2009</u> |
|--|------|---------------|---------------|--------------------|
| | nr. | LVL | EUR | LVL |
| Net turnover | 1 | 631 393 | 898 391 | 7 464 |
| Cost of sales | 2 | (563 426) | (801 683) | (778 585) |
| Gross profit or loss | | 67 967 | 96 708 | (771 121) |
| Selling expenses | 3 | (17 690) | (25 171) | (23 777) |
| Administrative expenses | 4 | (90 159) | (128 285) | (229 495) |
| Other operating income | 5 | 137 448 | 195 571 | 113 762 |
| Other operating expenses | 6 | (5 325) | (7 577) | (13 731) |
| Interest income and similar income | 7 | 4 | 6 | 168 |
| Interest expense and similar expenses | 8 | (38 693) | (55 055) | (56 377) |
| Profit or loss before extraordinary items and taxes | | 53 552 | 76 197 | (980 571) |
| Profit or loss after extraordinary items and before taxes | | 53 552 | 76 197 | (980 571) |
| Deferred corporate income tax for the reporting period | 9 | - | - | - |
| Other taxes | 10 | (51 108) | (72 720) | (60 727) |
| Profit or loss for the period | | 2 444 | 3 477 | (1 041 298) |
| Earnings per share (EPS coefficient) | | 0.001 | 0.001 | (0.408) |

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Gunars Lacis

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

| |
|--------------------|
| 2009 |
| EUR |
| 10 620 |
| (1 107 827) |
| (1 097 207) |
| (33 832) |
| (326 542) |
| 161 869 |
| (19 537) |
| 239 |
| (80 217) |
| (1 395 227) |
| (1 395 227) |
| - |
| (86 407) |
| (1 481 634) |
| (0.581) |

BALANCE SHEET as on 30.06.2010.

| ASSETS | Note nr. | 2010 LVL | 2010 EUR | 2009 LVL | 2009 EUR |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
| 1. Non-current assets | | | | | |
| I. Intangible assets: | | | | | |
| Concessions, patents, licenses, trade marks and similar rights | 11 | 492 | 700 | 816 | 1 161 |
| Total intangible assets: | | 492 | 700 | 816 | 1 161 |
| II. Fixed assets: | | | | | |
| Land, buildings and constructions | | 964 681 | 1 372 617 | 1 056 569 | 1 503 362 |
| Equipment and vehicles | | 1 542 075 | 2 194 175 | 1 641 240 | 2 335 274 |
| Other fixed assets | | 96 793 | 137 724 | 111 322 | 158 397 |
| Construction of fixed assets and unfinished construction objects | | 38 052 | 54 143 | 38 052 | 54 143 |
| Advance payments for fixed assets | | - | - | - | - |
| Total fixed assets: | 12 | 2 641 601 | 3 758 659 | 2 847 183 | 4 051 176 |
| 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 | | 47 063 | 66 965 | 60 113 | 85 533 |
| Total long-term financial investments: | | 47 583 | 67 705 | 60 633 | 86 273 |
| Total non-current assets: | | 2 689 676 | 3 827 064 | 2 908 632 | 4 138 610 |
| 2. Current assets | | | | | |
| I. Inventory: | | | | | |
| Raw materials | 13 | 276 770 | 393 808 | 322 167 | 458 402 |
| Work in process | 14 | 12 243 | 17 420 | 7 686 | 10 936 |
| Finished goods | 14 | 270 392 | 384 733 | 238 465 | 339 305 |
| Advance payments for materials | 15 | 68 970 | 98 135 | 58 289 | 82 938 |
| Total inventory: | | 628 375 | 894 096 | 626 607 | 891 581 |
| II. Sales-deferred long-term investments | | | | | |
| Total sales-deferred long-term investments: | | - | - | - | - |
| III. Receivables: | | | | | |
| Trade receivables | 16 | 561 937 | 799 564 | 492 008 | 700 064 |
| Other receivables | 17 | 140 140 | 199 401 | 120 479 | 171 426 |
| Deferred expenses | 18 | 1 206 659 | 1 716 921 | 1 229 838 | 1 749 902 |
| Total receivables: | | 1 908 736 | 2 715 886 | 1 842 325 | 2 621 392 |
| IV. Short-term financial investments: | | | | | |
| Other securities and capital participation | | 14 | 20 | 14 | 20 |
| Total short-term financial investments: | | 14 | 20 | 14 | 20 |
| V. Cash | 19 | 2 143 | 3 049 | 1 392 | 1 981 |
| Total currents assets: | | 2 539 268 | 3 613 051 | 2 470 338 | 3 514 974 |
| TOTAL ASSETS: | | 5 228 944 | 7 440 117 | 5 378 970 | 7 653 585 |

BALANCE SHEET as on 30.06.2010.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note nr. | 2010 | | 2009 | |
|--|-------------|------------------|------------------|------------------|------------------|
| | | LVL | EUR | LVL | 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 | - 370 188 | - 526 730 | - 392 949 | - 559 116 |
| b) current year profit/(loss) | 21 | 2 444 | 3 477 | - 237 330 | - 337 690 |
| Total shareholders' equity: | | 2 181 340 | 3 103 767 | 1 918 805 | 2 730 214 |
| 2. Provisions: | | | | | |
| Total provisions: | | 18 524 | 90 765 | 63 790 | 90 765 |
| 3. Liabilities: | | | | | |
| I. Non-current liabilities: | | | | | |
| Loans from lending institutions | 22 | 1 522 208 | 2 165 907 | 1 629 467 | 2 318 523 |
| Other loans | 23 | 51 774 | 73 668 | 66 151 | 94 124 |
| Deferred income | 24 | 228 144 | 324 620 | 409 491 | 582 653 |
| Deferred tax liabilities | 25 | | - | | - |
| Total non-current liabilities: | | 1 802 126 | 2 564 195 | 2 105 109 | 2 995 300 |
| II. Current liabilities: | | | | | |
| Loans from lending institutions | 26 | 162 299 | 230 931 | 334 367 | 475 761 |
| Other loans | 27 | 15 955 | 22 702 | 48 051 | 68 370 |
| Advances from customers | 28 | 30 030 | 42 729 | 50 329 | 71 612 |
| Trade accounts payable | 29 | 539 348 | 767 423 | 449 221 | 639 184 |
| Taxes and social security liabilities | 30 | 299 981 | 426 835 | 221 790 | 315 579 |
| Other liabilities | 31 | 77 717 | 110 581 | 83 903 | 119 383 |
| Deferred income | 32 | 90 674 | 129 017 | 90 674 | 129 017 |
| Accrued liabilities | 33 | 10 950 | 15 580 | 12 931 | 18 399 |
| Total current liabilities: | | 1 226 954 | 1 745 798 | 1 291 266 | 1 837 305 |
| Total liabilities: | | 3 029 080 | 4 309 993 | 3 396 375 | 4 832 605 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY: | | 5 228 944 | 7 440 117 | 5 378 970 | 7 653 585 |

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

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

30.06.2010 (per indirect method)

I. Cash flow from operating activity

Profit or loss before extraordinary items and taxes

Adjustments for:

| | 2010 | 2010 | 2009 | 2009 |
|---|----------|-----------|-----------|-----------|
| | LVL | EUR | LVL | EUR |
| | 53 552 | 76 198 - | 186 157 - | 264 878 |
| a) depreciation of fixed assets | 153 282 | 218 101 | 153 282 | 218 101 |
| b) amortisation of goodwill | 42 | 60 | 307 | 437 |
| c) provisions (except for provisions for bad debts) | - | - | - | - |
| d) Profit or loss from the exchange rate fluctuations | (18 602) | (26 468) | 1 037 | 1 476 |
| e) ieņēmumi no līdzdalības koncerna meitas un asociēto sabiedrību kapitālos | | - | | - |
| f) income from subsidies, grants, gifts or donations | (90 673) | (129 016) | (90 673) | (129 016) |
| g) other income from interest or similar income | (5) | (7) | (15) | (21) |
| h) profit/loss from sale of fixed assets | - | - | - | - |
| i) interest payments and similar activities | 38 693 | 55 055 | 50 450 | 71 784 |
| k) other taxes | (51 108) | (72 720) | (51 173) | (72 813) |

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

Adjustments for:

| | | | | |
|---|---------|---------|---------|---------|
| a) trade receivables increase (-) or decrease (+) | 78 132 | 111 172 | 95 599 | 136 025 |
| b) inventory increase (-) or decrease (+) | 49 822 | 70 890 | 110 650 | 157 441 |
| c) accounts payable to suppliers and other creditors increase (+) or decrease (-) | 117 602 | 167 333 | 124 923 | 177 749 |

Gross cash flow from operating activities

| | | | | |
|-------------------|----------|----------|----------|----------|
| Interest payments | (38 693) | (55 055) | (50 450) | (71 784) |
|-------------------|----------|----------|----------|----------|

Cash flow before extraordinary items

| | | | | |
|--|----------------|----------------|----------------|----------------|
| | 230 518 | 415 542 | 157 780 | 224 500 |
|--|----------------|----------------|----------------|----------------|

Net cash flow from operating activity

| | | | | |
|--|----------------|----------------|----------------|----------------|
| | 230 518 | 415 542 | 157 780 | 224 500 |
|--|----------------|----------------|----------------|----------------|

II. Cash flow from investing activities

| | | | | |
|--|---------------|---------------|----------------|----------------|
| Acquisition of fixed assets | (14 360) | (20 432) | (1 874) | (2 666) |
| Income from fixed assets sale | 28 173 | 40 087 | - | - |
| Loans issued | - | - | - | - |
| Loans repaid | - | - | - | - |
| Interest received | 5 | 7 | 15 | 21 |
| Saņemtās dividendes | | - | | - |
| Net cash flow from investing activities | 13 818 | 19 661 | (1 859) | (2 645) |

III. Cash flow from financing activities

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Loans received | 17 375 | 24 722 | 9 565 | 13 610 |
| Loans repaid | (247 461) | (352 105) | (147 071) | (209 263) |
| Rented asset buyout expenses | (15 611) | (22 212) | (20 527) | (29 207) |
| Interest paid | | - | | - |
| Net cash flow from financing activities | (245 697) | (349 595) | (158 033) | (224 861) |

IV. Foreign exchange rate differences

| | | | | |
|--|------|------|------|------|
| | (26) | (37) | (26) | (37) |
|--|------|------|------|------|

V. Net cash flow for the year

| | | | | |
|--|---------|---------|---------|---------|
| | (1 387) | (1 974) | (2 138) | (3 042) |
|--|---------|---------|---------|---------|

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

| | | | | |
|--|-------|-------|-------|-------|
| | 3 530 | 5 023 | 3 530 | 5 023 |
|--|-------|-------|-------|-------|

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

| | | | | |
|--|-------|-------|-------|-------|
| | 2 143 | 3 049 | 1 392 | 1 981 |
|--|-------|-------|-------|-------|

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 6 months 2010

| | 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, 2008 | 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, 2009 | 2 549 084 | - | - | 16 684 | - 409 633 | 2 156 135 |
| Profit carried over | | | | - 16 684 | 16 684 | - |
| Profit for the year | | | | 2 444 | | 2 444 |
| Balance as on June 30, 2010 | 2 549 084 | - | - | 2 444 | - 392 949 | 2 158 579 |

| | 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, 2008 | 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, 2009 | 3 627 020 | - | - | 58 512 | - 882 505 | 2 803 027 |
| Profit carried over | | | | - 23 739 | 23 739 | - |
| Profit for the year | | | | - 337 690 | | - 337 690 |
| Balance as on June 30, 2010 | 3 627 020 | - | - | - 337 690 | - 559 116 | 2 730 213 |

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

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 01.01.2010. to 30.06.2010.

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:

| | 30.06.2010 | 31.12.2009 | 31.12.2008 |
|-----|------------|------------|------------|
| USD | 0.501 | 0.495 | 0.484 |
| 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

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 | 2-5 | % |
| * 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.

Loans received and loans issued

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

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

Deferred Liabilities

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

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

Taxes

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

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

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

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

Calculations

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

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

Possible liabilities and assets

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

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

Events after the end of the reporting year

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

Related parties

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

2. Notes to the Profit and Loss statement entries

Note Nr.1

Net Turnover

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

| Type of activity | LVL | EUR | LVL | EUR |
|--|----------------|------------------|----------------|------------------|
| Income from export sale of finished goods | 195 614 | 278 334 | 195 614 | 278 334 |
| Income from rent of premises | 221 035 | 314 504 | 221 035 | 314 504 |
| Income from sale of finished goods in the local market | 132 441 | 188 447 | 132 441 | 188 447 |
| Income from utility services | 196 057 | 278 964 | 196 057 | 278 964 |
| Income from sale of materials | 1 309 | 1 863 | 1 309 | 1 863 |
| Total | 746 456 | 1 062 112 | 746 456 | 1 062 112 |

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

| | 2010 | 2010 | 2009 | 2009 |
|--|----------------|----------------|----------------|------------------|
| | LVL | EUR | LVL | EUR |
| Personnel costs | 36 965 | 52 596 | 162 452 | 231 148 |
| Depreciation of fixed assets | - | - | - | - |
| Depreciation of fixed assets (project 124000075) | 37 252 | 53 005 | 52 962 | 75 358 |
| Changes in finished goods inventory | 54 546 | 77 612 | 100 627 | 143 179 |
| Changes in purchased materials and goods inventory | 67 443 | 95 963 | - | - |
| Services for productions | 115 104 | 163 778 | 78 992 | 112 395 |
| Ongoing maintenance and repair | 59 776 | 85 054 | 58 499 | 83 237 |
| Real estate property maintenance | 23 142 | 32 928 | 27 980 | 39 812 |
| Other costs | 3 261 | 4 640 | 7 874 | 11 204 |
| Total | 164 244 | 233 698 | 289 545 | 411 985 |
| | 1 693 | 2 409 | 3 269 | 4 651 |
| | 563 426 | 801 683 | 782 200 | 1 112 969 |

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

| | 2010 | 2010 | 2009 | 2009 |
|------------------------|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Goods' transport costs | 15 340 | 21 827 | 10 845 | 15 431 |
| Sales costs | 1 605 | 2 284 | 2 285 | 3 251 |
| Advertising costs | 745 | 1 060 | 624 | 888 |
| Total | 17 690 | 25 171 | 13 754 | 19 570 |

Note Nr. 4

Administrative costs

Cost type

| | 2010 | 2010 | 2009 | 2009 |
|-------------------------------|-------------|-------------|-------------|-------------|
| | LVL | EUR | LVL | EUR |
| Personnel costs | 60 241 | 85 715 | 126 470 | 179 951 |
| Representation costs | 548 | 780 | 1 376 | 1 958 |
| Office expenses | 1 615 | 2 298 | 3 051 | 4 341 |
| Communication expenses | 5 019 | 7 141 | 8 243 | 11 729 |
| Bank expenses | 4 044 | 5 754 | 1 560 | 2 220 |
| Transport costs | 5 281 | 7 514 | 8 963 | 12 753 |
| Accounting and legal expenses | 8 845 | 12 585 | 1 314 | 1 870 |

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

| | | | | |
|----------------------------|---------------|----------------|----------------|----------------|
| Other administrative costs | 4 566 | 6 497 | 7 820 | 11 127 |
| | 90 159 | 128 284 | 158 797 | 225 949 |

Note Nr. 5

Other incomes Type on income

| | 2010 | 2010 | 2009 | 2009 |
|---|----------------|----------------|---------------|----------------|
| | LVL | EUR | LVL | EUR |
| Income from privatisation certificates | 28 173 | 40 087 | - | - |
| Income from grant financing (project 124000075) | 90 673 | 129 016 | 90 673 | 129 016 |
| Other income | 18 462 | 26 269 | 243 | 346 |
| | 137 308 | 195 372 | 90 916 | 129 362 |

Total

Note Nr. 6

Other incomes Type of income/expense

| | 2010 | 2010 | 2009 | 2009 |
|------------------------------|--------------|--------------|--------------|---------------|
| | LVL | EUR | LVL | EUR |
| Difference in currency rates | | - | 666 | 948 |
| Sale of fixed assets | 5 165 | 7 349 | | - |
| Other expenses * | 160 | 228 | 7 233 | 10 292 |
| | 5 325 | 7 577 | 7 899 | 11 240 |

Total

Note Nr. 7

Other interest and similar income

| | | | | |
|--------------------------------|----------|----------|-----------|-----------|
| % received on account balances | 4 | 6 | 15 | 21 |
| | - | - | - | - |
| | 4 | 6 | 15 | 21 |

Total

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8 Type of expense

Other interest and similar expenses

| | 2010 | 2010 | 2009 | 2009 |
|----------------------|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| % paid on loans | 38693 | 55 055 | 50450 | 71 784 |
| Fines/penalties paid | | - | | - |
| | 38 693 | 55 055 | 50 450 | 71 784 |

Total

Note Nr. 10 Real estate tax for land

Other taxes Real estate tax for buildings and constructions

| | 2010 | 2010 | 2009 | 2009 |
|---|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Real estate tax for land | 6 044 | 8 600 | 4 960 | 7 057 |
| Real estate tax for buildings and constructions | 45 064 | 64 120 | 46 213 | 65 755 |
| | 51 108 | 72 720 | 51 173 | 72 812 |

Total:

Notes to the Financial Statements

Notes to the Balance Sheet as on June 30, 2010.

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 | | | | | | |
| 31.12.2009. | 7 363 | - | - | - | 7 363 | 10 477 |
| Purchased | - | - | - | - | - | - |
| Relocated | - | - | - | - | - | - |
| Written-off | - | - | - | - | - | - |
| 30.06.2010. | 7 363 | - | - | - | 7 363 | 10 477 |
| Depreciation | | | | | | |
| 31.12.2009. | 6 829 | - | - | - | 6 829 | 9 717 |
| Calculated | 42 | - | - | - | 42 | 60 |
| Written-off | - | - | - | - | - | - |
| 30.06.2010. | 6 871 | - | - | - | 6 871 | 9 776 |
| Net book value | | | | | | |
| 31.12.2009. | 535 | - | - | - | 534 | 760 |
| Net book value | | | | | | |
| 30.06.2009. | 492 | - | - | - | 492 | 700 |

12. Fixed Assets

| | Land | Buildings and constructions | Technological equipment | Other fixed assets | Total LVL | Total EUR |
|------------------------|----------|-----------------------------|-------------------------|--------------------|-----------|-----------|
| Historical cost | | | | | | |
| 31.12.2009. | 428 034 | 1 002 296 | 641 893 | 297 848 | 2 370 071 | 3 372 307 |
| Purchased | | | | 14 360 | 14 360 | 20 432 |
| Written-off | - 28 827 | | - | | - 28 827 | - 41 017 |
| 30.06.2010. | 399 207 | 1 002 296 | 641 893 | 312 208 | 2 355 604 | 3 351 723 |
| Depreciation | | | | | | |
| 31.12.2009. | - | 432 831 | 334 878 | 201 707 | 969 416 | 1 379 355 |
| Calculated | | 3 991 | 19 510 | 13 708 | 37 209 | 52 944 |
| Written-off | | | - | | - | - |
| 30.06.2010. | - | 436 822 | 354 388 | 215 415 | 1 006 625 | 1 432 298 |
| Net book value | | | | | | |
| 31.12.2009. | 428 034 | 569 465 | 307 015 | 96 141 | 1 400 655 | 1 992 953 |
| Net book value | | | | | | |
| 30.06.2010. | 399 207 | 565 474 | 287 505 | 96 793 | 1 348 979 | 1 919 424 |

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

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 | | | | | | |
| 31.12.2009. | 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 |
| 30.06.2010. | 1 827 372 | - | - | 38 052 | 1 865 424 | 2 654 259 |
| Depreciation | | | | | | |
| 31.12.2009. | 409 162 | - | - | - | 409 162 | 409 162 |
| Calculated | 100 627 | - | - | - | 100 627 | 143 179 |
| Written-off | - | - | - | - | - | - |
| 30.06.2010. | 509 789 | - | - | - | 509 789 | 725 364 |
| Net book value | | | | | | |
| 31.12.2009. | 1 418 210 | - | - | 50 766 | 1 468 976 | 2 090 165 |
| Net book value | | | | | | |
| 30.06.2010. | 1 317 583 | - | - | 38 052 | 1 355 635 | 1 928 895 |

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

Raw materials and supplies.
 Equipment into service.

Total

| | 2010 LVL | 2010 EUR | 2009 LVL | 2009 EUR |
|--------------|----------------|----------------|----------------|----------------|
| | 183 539 | 261 152 | 197 889 | 281 571 |
| | 93 231 | 132 656 | 124 278 | 176 832 |
| Total | 276 770 | 393 808 | 322 167 | 458 403 |

14. Raw materials

Raw materials
 Inventory in use

Total

| | 2010 LVL | 2010 EUR | 2009 LVL | 2009 EUR |
|--------------|----------------|----------------|----------------|----------------|
| | 12 243 | 17 420 | 7 686 | 10 936 |
| | 270 392 | 384 733 | 306 497 | 436 106 |
| Total | 282 635 | 402 153 | 314 183 | 447 042 |

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

| | 2010 | 2010 | 2009 | 2009 |
|---|------------------|------------------|------------------|------------------|
| | LVL | EUR | LVL | EUR |
| 15. Advance payments for goods | | | | |
| Advance payments for materials | 12 627 | 17 967 | 14 630 | 20 817 |
| Advance payments to non-residents | 56 343 | 80 169 | 43 659 | 62 121 |
| | | - | | - |
| Total | 68 970 | 98 136 | 58 289 | 82 938 |
| | LVL | EUR | LVL | EUR |
| 16. Trade receivables | | | | |
| Receivables (non-residents) | 360 012 | 512 251 | 258 171 | 367 344 |
| Receivables (residents) | 201 925 | 287 313 | 233 837 | 332 720 |
| Book value of purchases and customers, total | 561 937 | 799 564 | 492 008 | 700 064 |
| Provisions for doubtful debts | - | - | - | - |
| Net trade receivables, total | 561 937 | 799 564 | 492 008 | 700 064 |
| | | | | |
| 17. Other receivables | | | | |
| VAT confirmed (unpaid invoices) | 619 | 881 | 1 917 | 2 728 |
| VAT overpaid to the state budget | | - | - | - |
| Nature Resource tax overpaid to the state budget | 319 | 454 | 225 | 320 |
| Real estate tax | - | - | - | - |
| Settlements with employees | 99 365 | 141 384 | 61 105 | 86 945 |
| Tax pre-payments for customs procedures | 68 | 97 | 3 683 | 5 240 |
| Loans to employees | 5 094 | 7 248 | 5 094 | 7 248 |
| Other loans | 50 740 | 72 197 | 47 879 | 68 126 |
| Others | 240 | 341 | 576 | 820 |
| Total | 156 445 | 222 602 | 120 479 | 171 427 |
| | | | | |
| 18. Deferred expenses | | | | |
| Insurance expenses | 2 605 | 3 707 | 3 025 | 4 304 |
| Expenses for repairs of buildings and premises | | - | 9 138 | 13 002 |
| Expenses for implementation of project Nr.124000075 | 288 131 | 409 973 | 305 882 | 435 231 |
| Expenses for reconstruction of block I-2 | 914 107 | 1 300 657 | 909 478 | 1 294 071 |
| Other expenses | 1 816 | 2 584 | 2 315 | 3 294 |
| Total | 1 206 659 | 1 716 921 | 1 229 838 | 1 749 902 |
| | | | | |
| 19. Cash and cash equivalents | | | | |
| Cash on hand | 563 | 801 | 86 | 122 |
| Cash in bank accounts | 1 580 | 2 248 | 1 306 | 1 858 |
| Total | 2 143 | 3 049 | 1 392 | 1 980 |

Notes to the Balance Sheet (continued)

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

20. Information about company's share capital

On 30.06.2010 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.
Largest shareholders of JSC "VEF Radiotehnika RRR" are:

| Shareholders | Number of shares | | Value | | | |
|----------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | | | LVL | | EUR | |
| | 30.06.2009 | 30.06.2008 | 30.06.2008 | 30.06.2007 | 30.06.2008 | 30.06.2007 |
| 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.

| | 2010 | 2010 | 2009 | 2009 |
|--|--------------------|------------------|--------------------|----------------|
| | LVL | EUR | LVL | EUR |
| Previous years' retained earnings/losses | -370 188 - | 526 730 | -392 949 - | 559 116 |
| Current year profit/loss | 2 444 | 3 477 | -237 330 - | 337 690 |
| Total | - 367 744 - | 523 253 - | - 630 279 - | 896 806 |

22. Long-term loans from lending institutions

Loan from JSC SEB Latvijas Unibanka (EUR)

Total

| | 2010 | 2010 | 2009 | 2009 |
|---|------------------|------------------|------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Loan from JSC SEB Latvijas Unibanka (EUR) | 1 522 208 | 2 165 907 | 1 629 467 | 2 318 523 |
| Total | 1 522 208 | 2 165 907 | 1 629 467 | 2 318 523 |

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)

Financial lease from SIA Parex Līzings un Faktoringis
Financial lease from SIA Nord/LB Līzings (EUR)
Financial lease from SIA Hansa Līzings (EUR)
Financial lease from SIA SEB līzings (EUR)

Total

| | 2010 | 2010 | 2009 | 2009 |
|---|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Financial lease from SIA Parex Līzings un Faktoringis | 31 273 | 44 497 | 43 287 | 61 592 |
| Financial lease from SIA Nord/LB Līzings (EUR) | 15 019 | 21 370 | 11 403 | 16 225 |
| Financial lease from SIA Hansa Līzings (EUR) | - | - | - | - |
| Financial lease from SIA SEB līzings (EUR) | 5 482 | 7 800 | 11 461 | 16 308 |
| Total | 51 774 | 73 667 | 66 151 | 94 125 |

24. Deferred income (long-term)

Income from grant financing (project Nr.124000075)

Total

| | 2010 | 2010 | 2009 | 2009 |
|--|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Income from grant financing (project Nr.124000075) | 228 144 | 324 620 | 409 491 | 582 653 |
| Total | 228 144 | 324 620 | 409 491 | 582 653 |

Notes to the Balance Sheet (continued)

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

| 26. Short-term loans from lending institutions | 2010 | 2010 | 2009 | 2009 |
|--|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Credit line from JSC SEB banka (LVL) | | | 199 840 | 284 347 |
| Loan from JSC SEB banka (EUR) | 162 299 | 230 931 | 134 527 | 191 415 |
| Total | 162 299 | 230 931 | 334 367 | 475 762 |

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.

| 27. Other loans (short-term) | 2010 | 2010 | 2009 | 2009 |
|--|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Financial lease from SIA Parex Līzins un Faktoringas | 6 892 | 9 806 | 5 633 | 8 015 |
| Financial lease from SIA Nord/LB Līzings (EUR) | 6 186 | 8 802 | 6 663 | 9 481 |
| Financial lease from SIA Hansa Līzings (USD) | | - | | - |
| Financial lease from SIA Hansa Līzings (EUR) | - | - | - | - |
| Financial lease from SIA SEB līzings (EUR) | 2 877 | 4 094 | 7 700 | 10 956 |
| Factoring from SIA SEB līzings (EUR) | | - | 28 055 | 39 919 |
| Total | 15 955 | 22 702 | 48 051 | 68 371 |

| 28. Advances from customers | 2010 | 2010 | 2009 | 2009 |
|-----------------------------|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Advances from non-residents | 2 451 | 3 487 | 396 | 563 |
| Advances from residents | 27 579 | 39 241 | 49 933 | 71 048 |
| Total | 30 030 | 42 728 | 50 329 | 71 611 |

| 29. Due to suppliers and providers (short-term) | 2010 | 2010 | 2009 | 2009 |
|---|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Trade accounts payable to non-residents | 45 361 | 64 543 | 66 171 | 94 153 |
| Trade accounts payable to residents | 493 987 | 702 880 | 383 050 | 545 031 |
| Total | 539 348 | 767 423 | 449 221 | 639 184 |

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

Notes to the Balance Sheet (continued)

| 30. Taxes and social insurance payments | 2010 | 2010 | 2009 | 2009 |
|--|----------------|----------------|----------------|----------------|
| | LVL | EUR | LVL | EUR |
| Personal Income Tax | 49 083 | 69 839 | 46 668 | 66 403 |
| State Social Insurance payments | 106 553 | 151 611 | 86 514 | 123 098 |
| Value Added Tax | 30 227 | 43 009 | 21 211 | 30 181 |
| Real estate tax for building and constructions | 114 094 | 162 341 | 67 199 | 95 616 |
| Nature resources tax | | - | 110 | 157 |
| Corporate risk tax | 24 | 34 | 88 | 125 |
| Total | 299 981 | 426 834 | 221 790 | 315 580 |

| 31. Other liabilities | 2010 | 2010 | 2009 | 2009 |
|------------------------------|---------------|----------------|---------------|----------------|
| | LVL | EUR | LVL | EUR |
| Salaries | 60 021 | 85 402 | 56 754 | 80 754 |
| Safety of Deposits | 15 901 | 22 625 | 27 107 | 38 570 |
| Other creditores | 1 795 | 2 554 | 42 | 60 |
| Total | 77 717 | 110 581 | 83 903 | 119 384 |

| 32. Deferred income (short-term) | 2010 | 2010 | 2009 | 2009 |
|--|---------------|----------------|---------------|----------------|
| | LVL | EUR | LVL | EUR |
| Income from grant financing (project Nr.124000075) | 90 674 | 129 017 | 90 674 | 129 017 |
| Total | 90 674 | 129 017 | 90 674 | 129 017 |

| 32. The sved up duties | 2010 | 2010 | 2009 | 2009 |
|-------------------------------|---------------|---------------|---------------|---------------|
| | LVL | EUR | LVL | EUR |
| Vacation of deposits | 10 950 | 15 580 | 12 931 | 18 399 |
| Total | 10 950 | 15 580 | 12 931 | 18 399 |

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

| 2 010 | 2 009 |
|-------|-------|
| 55 | 146 |

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax

| 2010 | 2010 | 2009 | 2009 |
|--------|---------|---------|---------|
| LVL | EUR | LVL | EUR |
| 97 207 | 138 313 | 288 863 | 410 787 |
| 78 241 | 111 327 | 234 111 | 333 110 |
| 18 883 | 26 868 | 54 592 | 77 677 |
| 83 | 118 | 160 | 228 |

- including:

Management salaries

- salaries
- Social security payments
- Corporate risk tax

| | | | |
|---------------|---------------|---------------|---------------|
| 12 528 | 17 826 | 17 097 | 24 327 |
| 3 838 | 5 461 | 3 661 | 5 209 |
| 4 | 6 | 4 | 6 |
| 16 370 | 23 293 | 20 762 | 29 542 |

- total:

Annual report is accepted and signed from page 1 till 25

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins