

“ VEF “ JSC

2006 30.09

Financial statements

“VEF” JSC

BALANCE SHEET
As of September 30, 2006

	Comm. Nr.	2006 30.09 LVL	2005 30.09 LVL	2006 30.09 EUR 0.702804	2005 30.09 EUR 0.702804
ASSETS					
Long-term investments					
Intangible assets					
Concessions, patents, licences		91	96	130	137
Total intangible assets		91	96	130	137
Fixed Assets					
Land, buildings and other property		3621044	2978276	5152281	4237705
Equipment and machinery		52335	68530	74466	97509
Other fixed assets and inventory		7877	8696	11208	12373
Construction in progress		633915	504769	901980	718222
Total fixed assets		4315171	3560271	6139935	5065809
Long-term financial investments					
Other securities and investments					
Total long-term financial investments					
Total long-term investments		4315262	3560367	6140065	5065946
Current assets:					
Inventory					
Materials			674		959
Goods for sale		13144	13785	18702	19614
Total inventory		13144	14459	18702	20573
Debtors					
Other debtors		147147	333604	209371	474676
Future period expenses		17318	1523	24641	2167
Accrued income				246450	
Total debtors		164465	335127	234012	476843
Cash		126834	52357	180469	74497
TOTAL CURRENT ASSETS:		297552	401943	433183	571913
TOTAL ASSETS:		4619705	3962310	6573248	5637859

“VEF” JSC

BALANCE SHEET
As of September 30, 2006

	2006	2005	2006	2005
	30.09	30.09	30.09	30.09
	Comm			
	. Nr.			
LIABILITIES AND NET WORTH	LVL	LVL	EUR	EUR
			0.702804	0.702804
Stockholder's Equity				
Common stock	1829908	1829908	2603724	2603724
Long-term investments revaluation reserve	432868	432868	615916	615916
Accumulations				
Other accumulations	586037	586037	833856	833856
Total accumulations	586037	586037	833856	833856
Retained earnings from the previous years	-1556131	-1567695	-2214175	-2230629
Retained earnings of the financial year	2368	2077	3369	2955
Total stockholder's equity	1295050	1283195	1842690	1825822
Liabilities				
Long-term liabilities				
Borrowings from credit institutions	2492625	2635205	3546686	3749559
Other loans		5899		8393
Prepayments from buyers	31998		45529	
Other liabilities	177905		253136	
Total long-term liabilities	2702528	2641104	3845351	3757952
Current liabilities				
Borrowings from credit institutions	360381		512776	
Other loans				
Prepayments from buyers				
Accounts payable	200855		285791	
Taxes and social security payments				
Other liabilities	37470	4232	53315	6022
Future period income	23421	33779	33325	48063
Total current liabilities	622127	38011	885207	54085
Total liabilities	3324655	2679115	4730558	3812037
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	4619705	3962310	6573248	5637859

G. Feņuks
Chairman of the board of directors

“VEF” JSC

**PROFIT AND LOSSES ACCOUNT
FOR YEAR, WHICH ENDS ON September 30,2006.**

	2006 30.09	2005 30.09	2006 30.09	2005 30.09
Comm . Nr.	LVL	LVL	EUR 0.702804	EUR 0.702804
Net turnover	485502	266339	690807	378966
Cost of goods sold	-256614	-202797	-365129	-288554
Gross profit	228888	63542	325678	90412
Selling expenses				
Administrative expenses	-61350	-48103	-87293	-68444
Other income from operations	-16541		-23536	
Other expenses from operations	-4068	-1703	-5788	-2423
Income from long-term securities and loans				
Financial services income	266	162	379	231
Long-term financial investments and short-term securities value depreciation				
Financial services expenses	-120152	-532	-170960	-757
Profit before taxes	27043	13366	38478	19018
Other taxes	-24675	-11289	-35109	-16063
Net profit	2368	2077	3369	2955

G. Fenuks
Chairman of the board of directors

“VEF” JSC
STATEMENT OF CHANGES IN EQUITY
FOR YEAR, WHICH ENDS ON September 30, 2006.

	Fixed capital	App.	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	LVL		LVL	LVL	EUR 0.702804	EUR 0.702804
Stockholder's equity						
	Balance at the beginning of the financial year		1829908	1829908	2603724	2603724
	Increase from					
	Decrease from					
	Balance at the end of the financial year		1829908	1829908	2603724	2603724
Long-term investments revaluation reserve						
	Balance at the beginning of the financial year		432868	432868	615916	615916
	Increase from					
	Decrease from					
	Balance at the end of the financial year		432868	432868	615916	615916
Accumulations						
	Balance at the beginning of the financial year		586037	586037	833856	833856
	Increase from					
	Decrease from					
	Balance at the end of the financial year		586037	586037	833856	833856
Retained earnings						
	Balance at the beginning of the financial year		-1556131	-1567695	-2214175	-2230629
	Profit or losses of the financial year		2368	2077	3369	2955
	Dividends					
	Included in accumulations					
	Balance at the end of the financial year		-1553763	-1565618	-2210806	-2227674
Stockholder's equity (total)						
	Balance at the beginning of the financial year		1292682	1281118	1839321	1822867
	Balance at the end of the financial year		1295050	1283195	1842690	1825822

G. Fenuks _____
Chairman of the board of directors

“VEF” JSC
CASH FLOW STATEMENT
FOR YEAR, WHICH ENDS ON September 30 , 2006.

	2006	2005	2006	2005
	30.09	30.09	30.09	30.09
	LVL	LVL	EUR	EUR
			0.702804	0.702804
CASH FLOW FROM OPERATING				
ACTIVITIES:				
Profit before outstanding items and taxes (+); losses (-)	27043	13366	38479	19018
Adjustments:				
Fixed assets depreciation (+)	44132	29071	62794	41364
Intangible assets depreciation (+)				
Profit or losses from exchange rates' fluctuation (-/+)	-31007		-44119	
Income from long-term securities and loans				
Financial services income	266	162	378	231
Long-term financial investments and short-term securities value depreciation				
Financial services expenses	120152	532	170961	757
Depreciated cost of fixed assets sold				
Income from fixed assets sell				
Profit or losses before adjustments from current assets and liabilities	160586	43131	228493	11124
Adjustments:				
Debtors: increase (-); decrease (+)	170662	-36230	242830	-51551
Inventory: increase (-); decrease (+)	1315	38444	1871	54701
Liabilities: increase (+); decrease (-)	1645540	1209311	2341393	1720695
Gross cash provided by operating activities	1978103	1254656	2814587	154215
Payments for financial services	-120152	-532	-170961	-757
Income tax payments				
Net cash provided by operating activities before outstanding items:	1857951	1254124	2643626	1784458
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities:	1857951	1254124	2643626	1784458
CASH FLOWS FROM INVESTING				
ACTIVITIES:				
Fixed assets purchase	-1554298	-1363200	-2211567	-1939659
Income from fixed assets sell				
Interest received	266	162	378	231
Dividends received				
Net cash used in investing activities:	-1554032	-1363038	-2211189	-1939428
CASH FLOWS FROM FINANCING				
ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-198435	-62784	-282348	-89335
Net cash provided by financing activities:	-198435	-62784	-282348	-89335
Exchange rate fluctuation result:	-31007		-44119	
Net cash flow	74477	-171698	105972	-244305

“VEF” JSC
CASH FLOW STATEMENT
FOR YEAR, WHICH ENDS ON September 30 , 2006.

CASH AT BEGINNING OF YEAR	52357	224055	74497	318802
CASH AT END OF YEAR	126834	52357	180469	74497

G. Fepuks _____
Chairman of the board of directors

**FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON September 30, 2006.**

1. ACCOUNTING AND ASSESSMENT METHODS – COMMON PRINCIPLES

Basis for financial statements preparation

Financial statements are being prepared in compliance with Latvian laws “On bookkeeping” and “On the Annual Accounts of Undertakings”.

Profit and losses account is prepared according to the turnover method. Accounting policy provides the financial statements give information that is appropriate for their users to make decisions and conclusions. The policy is reliable. The financial statements correctly reveal the financial condition and operating results of the company – showing not only legal side of transactions, but also their economical matter, and are complete in all essential aspects.

Accounting principles used

The items of the financial statements are valued according to the following accounting principles:

- a) it is assumed that the company will operate in the future;
- b) assessment methods used are the same as used in the previous financial year;
- c) assessment is made with mere caution:
 - only profit earned before the date of the annual report is included in the financial statements
 - all projected risk amounts and losses that appeared in the financial year or in the previous years are taken into account, even those which became known in the period of time between the date of the annual report and the day when the financial statements are drawn up
 - all value decreases and depreciation amounts are calculated and taken into account, regardless of the financial year result (profit or losses)
- d) revenues and expenditures connected with the financial year are taken into account, regardless of payment date and invoice receiving or writing out date;
- e) assets and liabilities and net worth items have been assessed independently;
- f) the initial balance sheet of the financial year coincides with the previous financial year final balance sheet;
- g) all items that have an essential influence on the financial statements' users evaluation or decision taking have been taken into account, non-significant items have been combined and they are shown in details in the appendixes to the financial statements;
- h) business operations during the financial year are shown by their economical content and nature instead of their legal form.

Financial year

Financial year is 03 months, from 01.01.2006 to 30.09.2006

Money and foreign currency revaluation

Amounts shown in these financial statements are in Latvian national currency – lats (LVL).

All monetary assets and liabilities are recalculated to lats, using the official exchange rate of the Latvian Bank that is set on the last day of the financial year.

“VEF” JSC
FINANCIAL STATEMENTS’ APPENDIXES
FOR YEAR, WHICH ENDS ON September 30, 2006.

Long-term and short-term items

Long-term items include amounts, whose receiving, discarding or payment terms become due more than 1 year after the end of the respective financial year. Amounts that are due to be received, paid or discarded during the next year, are included in short-term items.

Fixed assets and nonmaterial investment depreciation

Fixed assets and non-material investments are shown by purchase price minus depreciation. Depreciation is calculated on the straight-line basis, using as a basis the following rates:

Fixed assets	
Property	1%
Equipment and machinery	20%
Other fixed assets	25%

Income tax

Income tax for the financial year consists of calculated tax and deferred tax. Income tax is included in the profit and losses account.

Income tax for the financial year is calculated according to the law “On the income tax of Undertakings”, determining taxable income and using 15% rate, set by the law.

Deferred income tax is calculated for the difference between assets and liabilities value in the financial statements and assets and liabilities value for tax purposes. Deferred income tax is calculated using 15% rate, set by the law. The above-mentioned difference mainly comes from the different fixed assets depreciation rates used in the financial and tax accounting. Increase of provisions for bad receivables is not taken into account, calculating deferred income tax, due to mere caution principle.

Kredit line

There is a credit line opened in JSC “SEB Latvijas Unibanka”. It is included in the long-term liabilities and the balance at the end of the financial year is 2 853 006 LVL (4 059 462 EUR).