



JSC VEF, Brīvības gatve 214, Rīga, LV-1039



JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

NON- AUDITED FINACIAL STATEMENTS
For the period ended on June 30, 2009



CONTENTS

General information

Report on the Management Board's responsibility

Management report

Balance sheet

Income statement

Cash flow statement

Statement of changes in equity

Notes to the financial statement



GENERAL INFORMATION

Title of enterprise	Joint stock company VEF
Legal type of enterprise	Public joint stock company
Registered:	On April 15, 1991 in the Register of Enterprises of the Republic of Latvia, re-registered on December 7, 2000 with Nbr. 000300132 On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328
Taxpayers' Reg. Nbr.	LV 40003001328
Legal address	Brīvības gatve 214, Rīga, LV-1039, Republic of Latvia phone: 7270618, fax: 7552201
Equity capital ¹ :	Ls 1 944 637 paid and registered equity capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Name of the holder of shares and share capital (%)	As on June 30, 2009: *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377% ; *Komunikāciju Centrs" SIA – 21.92579% ; *State Social Insurance Agency - 5.01801% ; * Tamāra Kampāne - 9.43334% ; * Gints Feņuks - 7.01432% ; *Other shareholders - 11.08475%.
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE PĒTERIS AVOTIŅŠ
Members of the Supervisory Council:	AIVARS VĪTOLIŅŠ ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2009. - 30.06.2009.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registred equity capital 1 944 637 common shares
The company's capital consists of the 623 528 bearer shares and 1 321 109 registered shares
Nominal value of a common share is 1 LVL (one Latvian lat).



Report on the Management Board's responsibility to the non-audited financial statement of JSC „VEF” for the six months of 2009

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the middle-term financial statements of the Company. The middle-term financial statements are not audited.

Middle-term financial statements are prepared based on justifying documents and represent true and clear overview on the Company's Assets and Equity and Liabilities, its financial standing and results of activity as well as cash flows within the reporting period ended on June 30, 2009.

Middle-term financial statements are prepared according to the approved International Standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of the middle-term financial statements have not been changed comparing to the previous reporting period. During preparation of the middle-term financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the middle-term management's report is true.

The Management Board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violation within the Company.

On behalf of the Management Board of JSC „VEF”,

Gints Feņuks
Chairman of the Management Board



Management report

Joint stock venture VEF is a public company doing business with its own real estate – rent, maintenance, service, and also providing electricity distribution services to end customers located in VEF territory.

Company's revenues in 06 months of Year 2009 according to balance sheet are 411 507 LVL that for 36 437 LVL are less than in previous reporting period.

Operations of the company following the overall economic downturn in local and global scale have been realigned to preserve and optimize current cash flow. For uncertain time period development of reconstruction projects for buildings located on Unijas str. 4 (blocks 5 and 7), Berzaunes str. without number and Berzaunes str. 7a had been stopped.

Project of modernization of company's electricity distribution grid had been made but implementation of this project is planned to start along side with reconstruction of designated buildings.

Company had increased amount of internal services securing more job places and had realized substantial economy program decreasing consumed amounts of outsourced services and their prices.

The Board of JSC VEF has changed strategic plans of the Company for the previous year according to the economic situation in the State. This year's plan is to actively monitor situation in the market segment of office space renting and react on changes; also to actively attain new customer for free spaces by increasing floor spaces, making renovations without using additional credit resources.

On behalf of the Management Board of JSC „VEF”,

Gints Feņuks
Chairman of The Board of JSC VEF



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2009	30.06.2008	30.06.2009	30.06.2008
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	77	82	110	117
Total intangible assets	77	82	110	117
Fixed Assets				
Land, buildings and other property	4 212 655	4 253 731	5 944 068	6 052 514
Equipment and machinery	7 708	18 179	10 968	25 866
Other fixed assets and inventory	12 240	12 036	17 416	17 126
Advance payments for fixed assets	31 151	104 599	44 323	148 831
Total fixed assets	4 263 754	4 388 545	6 066 775	6 244 337
Total long-term investments	4 263 831	4 388 627	6 066 885	6 244 454
Current assets				
Inventory				
Goods for sale				
Total inventory	0	0		0
Debtors				
Customers and client debts	68 650	62 178	97 680	88 471
Other debtors	38 557	17 656	54 862	25 122
Future period expenses	2 993	6 350	4 259	9 035
Subscribed but not paid-up amount of equity capital		53 685		76 387
Total debtors	110 200	139 869	156 801	199 015
Cash	23 781	6 008	33 837	8 549
Total Current assets	133 981	145 877	190 638	207 561
TOTAL ASSETS	4 397 812	4 534 504	6 257 523	6 452 018



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2009	30.06.2008	30.06.2009	30.06.2008
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	1 901 654	2 766 969	2 705 809
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-901 554	-928 449	-1 282 796	-1 321 064
Retained earnings of the financial years	16 001	13 132	22 767	18 685
Total stockholder's equity	1 497 474	1 424 727	2 130 713	2 027 203
PROVISIONS				
Other provisions	10 168	7 701	14 468	10 958
Total provisions	10 168	7 701	14 468	10 958
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 431 277	2 599 111	3 459 396	3 698 202
Prepayments from buyers	66 675	33 814	94 870	48 113
Other liabilities	44 616	94 387	63 483	134 301
Deferred tax liability	142 163	175 635	202 279	249 906
Total long-term liabilities	2 684 731	2 902 947	3 820 028	4 130 522
Current liabilities				
Borrowings from credit institutions	83 917	106 603	119 403	151 682
Accounts payable	49 498	39 072	70 429	55 594
Taxes and social security payments	34 031	8 545	48 422	12 159
Other liabilities	31 075	29 344	44 216	41 753
Future period income	6 918	15 565	9 844	22 147
Total current liabilities	205 439	199 129	292 314	283 335
Total liabilities	2 890 170	3 109 777	4 112 342	4 424 815
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 397 812	4 534 504	6 257 523	6 452 018



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON JUNE
30.2009.**

		LVL 30.06.2009	LVL 30.06.2008	EUR 30.06.2009 - 0.702804	EUR 30.06.2008 - 0.702804
1	2	4	5	4	5
Net turnover		402 480	437 438	572 677	622 418
Cost of goods sold	1	-277 653	-248 830	-395 065	-354 053
Gross profit		124 827	188 608	177 612	268 365
Selling expenses					
Administrative expenses	2	-32 431	-36 245	-46 145	-51 572
Other income from operations	3	8 886	2 924	12 644	4 160
Other expenses from operations	4	-1 518	-1 988	-2 160	-2 829
Financial services income	5	141	7 582	201	10 788
Financial services expenses	6	-66 118	-87 594	-94 077	-124 635
Profit before taxes		33 787	73 287	48 075	104 278
Other taxes	7	-13 954	-15 188	-19 855	-21 611
Deferred tax		-3 832	-44 967	-5 453	-63 982
Net profit		16 001	13 132	22 767	18 685

Earnings per share (EPS) EPS
on 30.06.2009-0.00823 LVL-
0.00823 EUR

Earnings per share (EPS) EPS
on 30.06.2008-0.0069 LVL-
0.0069 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON JUNE 30, 2009

	2009 30.06. LVL	2008 30.06. LVL	2009 30.06. EUR 0.702804	2008 30.06. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	33 787	73 287	48 075	104 278
Adjustments:				
fixed assets depreciation (+)	29 787	30 254	42 383	43 048
intangible assets depreciation (+)	3	3	4	4
increase/decrease in provisions	2 467	2 303	3 510	3 277
profit or losses from exchange rates fluctuation (+/-)	48	26	68	37
financial service income	-141	7 582	-201	10 788
financial services income	66 118	87 594	94 077	124 635
Profit or losses before adjustments from current assets and liabilities	132 069	201 049	187 916	286 067
Adjustments:				
debtors : increase (-); decrease (+)	29 669	65 730	42 215	93 525
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	12 879	-220 057	18 325	-313 113
Gross cash provide by operating activities	174 617	46 722	248 457	66 479
Payments for financial	-66 118	-87 594	-94 077	-124 635
Income tax payments				
Net cash provided by operating activities before outstanding items:	108 499	-40 872	154 380	-58 156
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	108 499	-40 872	154 380	-58 156
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-1 314	-10 148	-1 870	-14 439
Interest received	141	7 582	201	10 788
Net cash used in investing activities :	-1 173	-2 566	-1 669	-3 651
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-83 916		-119 402	
Payment LPA for long term buy out of land	-24 828		-35 327	
Common stock issued	19 239		27 374	
Net cash provided by financing activities :	-89 505		-127 355	
IV. Exchange rate fluctuation result :	-48	26	-68	37
Net cash flom	17 773	-43 412	25 288	- 61 769
CASH AT BEGINNING OF YEAR	6 008	49 420	8 549	70 318
CASH AT END OF YEAR	23 781	6 008	33 837	8 549



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
JUNE 30, 2009**

	30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR 0.702804	30.06.2008 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 901 654	1 829 908	2 705 809	2 603 724
Increase from	42 983	71 746	61 160	102 085
Decrease from				
Balance at the end of the financial year	1 944 637	1 901 654	2 766 969	2 705 809
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	438 390	438 390	623 773	623 773
Increase from				
Decrease from				
Balance at the end of the financial year	438 390	438 390	623 773	623 773
Accumulations				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
Retained earnings				
Balance at the beginning of the financial year	-901 554	-928 449	-1 282 796	-1 321 064
Profit or losses of the financial year	16 001	13 132	22 767	18 865
Dividends				
Included in accumulations				
Balance at the end of the financial year	-885 553	- 915 317	-1 260 028	-1 302 379
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 424 727	1 311 434	2 027 203	1 866 003
Balance at the end of the financial year	1 497 474	1 424 727	2 130 713	2 027 203



Annex of the annual report of six months of 2009

General principles of methodology of accounting and evaluation

Foundation of preparation of financial report

- Annual report of the Company prepared according to the Laws of the Republic of Latvia - “On Accounting”, “On annual reports of companies”, Latvian accounting standards: No. 1 “General principles of preparation of financial reports”, No. 2 “Cash flow report”, No.3 “Events after date of balance”, No. 4 “Changes of accounting policies, accounting assumptions and mistakes of previous periods”, No.5 “Long-term agreements”, No.6 “Revenues”, No.7 “Fixed assets”, No. 8 “Reserves, probable liabilities and assets”, and the Statutes of JSC VEF “On preparations of annual reports”.
- “Profit and loss statement” prepared according to the method of turnover payments.
- “Cash flow statement” prepared using indirect methods of calculating cash flows from basic activities.
- Comparing to the previous reporting period applied accounting and evaluation methods had not been changed (reclassification does not have effect on comparative indicators because indicators of 2008 are classified by principles of 2009 are comparable).

Net turnover

Net turnover is total amount of all values of provided services during the reporting period without value added tax.

Fixed assets

Fixed assets are evaluated according to their initial value or reevaluated value less accumulated depreciation. Depreciation of fixed assets is calculated starting from first day of next month after beginning of their exploitation and ended from first day of next month after they are excluded from fixed assets. Depreciation of fixed assets is calculated using linear methodology. Depreciation rates depending on division are following:

- Buildings, edifices = 1%;
- Equipment and machinery = 20%;
- Other fixed assets or inventory = 25%/

Increased values taken in the process of reevaluation are showed in the position of equity “Reserve of reevaluation of long-term investments”, but decreased values are written-off from incremental additions to values of the particular fixed asset accumulated in previous periods – excess is appropriated in profit and loss calculations of the according period.

Residual value of fixed assets of the Company is 3 920 231 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 263 754 LVL.

Debts of debtors

In the balance sheet debts of debtors are showed in net values from initial values less special reserves for doubtful and bad debts. Special reserves for doubtful and bad debts are made in occasions when the Management decides that collection of particular debts of debtors is doubtful.

Debts of debtors and creditors are evaluated at the end of the reporting period according to accounting information and statements about comparison of mutual payments with debtors and creditors.

Debts of debtors are evaluated taking into account principles of precaution showing in the balance sheet only real debtors.

Actual amounts of debts of debtors agree with bills and amounts registered in other primary accounting documents.



Income tax of company

Income tax of the company in the reporting period is calculated according to requirements of normative acts of Republic of Latvia.

Deferred tax is calculated using liabilities methods concerning all temporary discrepancies between values of assets and liabilities shown in financial reports and their values in taxation calculations. In calculations of deferred tax there is used rate of tax that is expected in periods when discrepancies would disappear. Temporary discrepancies take place mainly because of use of different depreciation rates and losses from taxes that are transferable to next taxation periods. In occasions when total amount of deferred tax should be showed in active side of the balance sheet, it is included in the financial report only if it is expected that there would be income available for taxation from which it would be possible to except temporary discrepancies that constitute assets of deferred tax.

Reserves

Reserves for vacations of employees are created as an estimation taking into account unused vacations during the reporting period.

Reevaluation of foreign currencies to lats

Accounting in the company is made in lats. All transactions in foreign currencies are reevaluated in lats according to the official exchange rate of the Bank of Latvia in the particular day of transaction. Assets and liabilities that evaluated in foreign currencies are recalculated in lats according to the exchange rate of the Bank of Latvia at the last day of the reporting period. Profit or loss accumulated due to changes in exchange rates of foreign currencies are shown in the profit and loss statement,

Cash and its equivalents

In the cash flow statement cash and its equivalents consist of cash in the cashier's office and remains of current bank accounts.

Applied accounting standards of Latvia

Preparing the report, it is done according the following accounting standards of Latvia:

- LGS 2 "On cash flow statement"
- LGS 3 "On events after date of balance"
- LGS 4 "On changes of accounting policy, changes in accounting estimations and mistakes from previous periods"
- LGS 5 "On long-term agreements"
- LGS 6 "On revenues"
- LGS 7 "On assets"
- LGS 8 "On reserves, probable liabilities and probable assets"

Positions of annual reports are evaluated according the following accounting principles:

- It is taken that the company will continue its operations;
- Same evaluation methods are used as in last periods;
- Evaluation is made with accordant precaution;
- Only revenues taken during the reporting period are included in the report;
- All expected risks and losses that occurred in the reporting year or previous years are taken into account even if they are occurred during period of time between date of balance and date of preparation of annual report;
- Calculated and accounted all decreases in values and depreciations despite whether the reporting year is concluded with profit or loss;
- All revenues and costs are taken into account independently of dates of payments, reception of bills. Payouts are accordant with revenues at the end of the reporting period.
- Components of assets and liabilities are evaluated separately;
- Starting balance of the reporting year is equal to the closing balance of previous reporting year;



- All positions that substantially affect evaluation or decision making of users of the report are shown but all insignificant positions are consolidated and their detailed breakdown are shown in annexes;
- Business transactions in the annual report are shown taking into account their economical essence and content but not their legal form.

Reporting period

Reporting period is 06 months starting from 01.01.2009. till 30.06.2009.

Short-term and long-term positions

Long-term positions contain sums which maturity terms of reception, pay-out or write-off will take place more than a year after the end of the reporting period. All sums that are receivable or payable during a year are shown in short-term positions.

Future revenues

Future revenues of next periods are written-off according to depreciation rate of financial assets – 20% per annum.

Future revenues of next periods from value differences between purchase value of privatization certificates and their nominal valuation are depreciated in 5 years.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first six months of 2009 from its core business-service provision without VAT

Type of commercial operations	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	62 705	73 116	89 221	104 035
water supply and sewage services	1 686	7 898	2 399	11 238
office renting service	252 643	276 101	359 479	392 856
utility services	85 446	80 323	121 578	114 289
Total	402 480	437 438	572 677	622 418

Distribution of net turnover by geographical markets

Country	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
Latvia	402 480	437 438	572 677	622 418
Total	402 480	437 438	572 677	622 418

(2) Cost of sales

	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
personnel	47 720	41 286	67 900	58 745
depreciation	29 787	30 254	42 383	43 048
transport	5 117	4 022	7 281	5 723
other outstanding costs	107 405	101 697	152 824	144 702
personnel training	260	102	370	145
telecommunication service	712	794	1 013	1 130
other costs tied to commercial operations	52 404	20 059	74 564	28 541
insurance (buildings)	2 344	2 229	3 335	3 172
maintenance of buildings 1 and 1a	23 230	35 377	33 053	50 337
land rent to LPA	8 671	13 007	12 338	18 506
depreciation of license	3	3	4	4
Total	277 653	248 830	395 065	354 053



(3) Costs of administration	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
personnel	23 863	27 405	33 954	38 994
telecommunication service	712	794	1 013	1 130
office supplies	668	790	950	1 124
cash turnover expenses	151	107	215	152
transport expenses for administrative needs	5 117	4 022	7 281	5 723
representative expenses	70	104	100	148
legal assistance or raid	600	523	854	744
RFB annual fee	1 250	2 500	1 778	3 557
Total	32 431	36 245	46 145	51 572

(4) Other revenues from commercial operation	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 118	1 168	1 591	1 662
1/5 of revenue from writing-off PS purchase	2 155	539	3 066	767
1/5 from financial support given for Gold equipment	4 763	1 191	6 778	1 695
other revenues	850		1 209	
insurance recompense				
revenues from changes in currency rates		26		36
Total	8 886	2 924	12 644	4 160

(5) Other costs of commercial operations	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
losses from changes in currency rates	48		68	
40% of representative costs	45	69	64	98
donations to Latvian orphans fund	553	200	787	285
allowances and bonuses	700	1 614	996	2 297
fines	172	105	245	149
Total	1 518	1 988	2 160	2 829



(6) **Other revenues from interests or similar sources**

	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
interest from balances of accounts	141	7 582	201	10 788
Total	141	7 582	201	10 788

(7) **Payments of interest and similar expenses**

	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
credit interests	63 386	83 517	90 190	118 834
interest to LPA for long term buy-out of land	2 732	4 077	3 887	5 801
Total	66 118	87 594	94 077	124 635

(8) **Other taxes**

	2009.06.30	2008.06.30	2009.06.30	2008.06.30
	LVL	LVL	EUR	EUR
real estate tax (buildings)	11 716	13 385	16 670	19 045
real estate tax (land)	2 238	1 803	3 185	2 566
Total	13 954	15 188	19 855	21 611