



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

JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

NON- AUDITED FINANCIAL STATEMENTS
For the period ended on September 30, 2011



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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 *Trade in a waste black and nonferrous scrap metal
Name of the holder of shares and share capital (%)	As on september 30, 2011: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52% ; *Goldinvest Asset Management" AS - 21.92% ; *State Social Insurance Agency - 5.02% ; * Tamāra Kampāne - 9.50% ; * Gints Feņuks - 7.01% ; *Other shareholders - 11.02%.
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE PĒTERIS AVOTIŅŠ AIVARS VĪTOLIŅŠ
Members of the Supervisory Council:	ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2011. - 30.09.2011.
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 nine months of 2011.

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 September 30, 2011.

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 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



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	1 295	306	1 842	435
Total intangible assets	1 295	306	1 842	435
Fixed Assets				
Land, buildings and other property	4 045 358	4 161 347	5 756 026	5 921 064
Equipment and machinery				
Other fixed assets and inventory	118 116	30 901	168 064	43 968
Advance payments for fixed assets				
Total fixed assets	4 163 474	4 192 248	5 924 090	5 965 032
Total long-term investments	4 164 769	4 192 554	5 925 932	5 965 467
Current assets				
Inventory				
Goods for sale	0	0	0	0
Total inventory	0	0	0	0
Debtors				
Customers and client debts	11 500	7 780	16 363	11 070
Other debtors	17 496	16 241	24 895	23 109
Future period expenses	1 023		1 456	
Future period income	21 544	18 903	30 654	26 897
Total debtors	51 563	42 924	73 363	61 76
Cash	8 245	4 351	11 732	6 191
Total Current assets	59 808	47 275	85 099	67 267
TOTAL ASSETS	4 244 577	4 239 829	6 011 031	6 032 734



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve	451 059	438 390	641 799	623 773
Total accumulation				
Retained earnings from the previous years	-860 928	-883 184	-1 224 990	-1 256 657
Retained earnings of the financial years	25 579	19 949	36 396	28 385
Total stockholder's equity	1 560 347	1 519 792	2 220 174	2 162 470
PROVISIONS				
Other provisions	9 122	7 522	12 979	10 703
Total provisions	9 122	7 522	12 979	10 703
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 309 249	2 332 777	3 285 765	3 319 243
Prepayments from buyers	25 103	29 945	35 719	42 608
Other liabilities				
Deferred tax liability	157 970	149 445	224 771	212 641
Total long-term liabilities	2 492 322	2 512 167	3 546 255	3 574 492
Current liabilities				
Borrowings from credit institutions	14 578	53 384	20 999	75 959
Accounts payable	31 225	26 751	44 429	38 063
Taxes and social security payments	60 780	57 903	86 482	82 388
Other liabilities	19 686	62 310	28 010	88 659
Prepayments from buyers	36 337		51 703	
Total current liabilities	162 786	200 348	231 623	285 069
Total liabilities	2 655 108	2 712 515	3 777 878	3 859 561
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 224 577	4 239 829	6 011 031	6 032 734

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON SEPTEMBER
30.2011.**

		LVL 30.09.2011	LVL 30.09.2010	EUR 30.09.2011 - 0.702804	EUR 30.09.2010 - 0.702804
1	2	4	5	4	5
Net turnover		631 765	569 097	898 921	809 752
Cost of goods sold	1	-433 550	-364 537	-616 886	-518 689
Gross profit		198 215	204 560	282 035	291 063
Administrative expenses	2	-44 656	-40 616	-63 540	-57 791
Other income from operations	3	5 298	10 041	7 538	14 287
Other expenses from operations	4	-9 478	-14 843	-13 486	-21 120
Financial services income	5		5		7
Financial services expenses	6	-99 441	-111 500	-141 492	-158 650
Profit before taxes		49 938	47 647	71 055	67 796
Other taxes	7	-15 131	-19 998	-21 530	-28 455
Deferred tax		-9 228	-7 700	-13 130	-10 956
Net profit		25 579	19 949	36 396	28 385

Earnings per share (EPS) EPS
on 30.09.2011-0.0131 LVL-
0.0131 EUR

Earnings per share (EPS) EPS
on 30.09.2010-0.0103 LVL-
0.0103 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2011

	2011 30.09.	2010 30.09.	2011 30.09. EUR 0.702804	2010 30.09. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	49 938	47 647	71 055	67 796
<i>Adjustments:</i>				
fixed assets depreciation (+)	41 626	39 990	59 228	56 901
intangible assets depreciation (+)	145	49	206	70
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	-10	-1 304	-14	-1 855
financial service income		-5		-7
financial services income	99 441	111 500	141 492	158 650
<i>Profit or losses before adjustments from current assets and liabilities</i>	191 140	197 877	271 967	281 554
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-8 629	50 010	-12 278	71 158
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-8 458	-38 090	-12 035	-54 197
<i>Gross cash provide by operating activities</i>	174 053	209 797	247 655	298 514
Payments for financial	-99 441	-111 500	-141 492	-158 650
Income tax payments	-15 131	-19 998	-21 529	-28 455
<i>Net cash provided by operating activities before outstanding items:</i>	59 481	78 299	84 634	111 409
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	59 481	78 299	59 481	111 409
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-1 151	-3 246	-1 638	-4 619
Interest received		5		7
Net cash used in investing activities :	58 330	75 058	82 996	106 798
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-44 277	-53 384	-63 001	-75 959
Payment LPA for long term buy out of land	-11 260	-32 138	-16 022	-45 728
Payment SEB Lizings	-6 697		-9 529	
Net cash provided by financing activities :	-3 904	-10 464	-5 555	-14 889
IV. Exchange rate fluctuation result :	10	1 304	14	1 855
Net cash flom		-9 160		-13 034
CASH AT BEGINNING OF YEAR	4 351	13 511	6 191	19 244
CASH AT END OF YEAR	8 245	4 351	11 732	6 191

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
SEPTEMBER 30, 2011**

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR 0.702804	30.09.2010 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
Increase from				
Decrease from				
Balance at the end of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	438 390	438 390	623 773	623 773
Increase from	12 669		18 026	
Decrease from				
Balance at the end of the financial year	451 059	438 390	641 799	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	-860 928	-883 184	-1 224 990	-1 256 657
Profit or losses of the financial year	25 579	19 949	36 396	28 385
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-835 349	-863 235	-1 188 594	-1 228 272
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 519 792	1 503 052	2 162 469	2 138 650
Balance at the end of the financial year	1 560 347	1 519 792	2 220 174	2 162 469



**Annex of the annual report of nine
Months of 2011**

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 2011 are classified by principles of 2010 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 3 819 951 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 163 474 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 01.01.2011. Till 30.09.2011.

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.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first nine months of 2011 from its core business-service provision without VAT

Type of commercial operations	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	94 208	90 121	134 046	128 231
water supply and sewage services	394	371	561	528
office renting service	320 185	314 434	455 582	447 399
utility services	121 635	114 171	173 071	162 451
ferrous and non-ferrous metal trading	95 343	50 000	135 661	71 144
Total	631 765	569 097	898 921	809 752

Distribution of net turnover by geographical markets

Country	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
Latvia	631 765	564 069	898 921	802 598
Estonia		5 028		7 154
Total	631 765	569 097	898 921	809 752

(2) Cost of sales

	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
personnel	79 792	63 194	113 534	89 917
depreciation	41 626	39 990	59 228	56 901
transport	4 631	5 679	6 589	8 080
other outstanding costs	158 687	141 732	225 791	201 666
personnel training	148	120	211	171
telecommunication service	748	686	1 064	976
other costs tied to commercial operations	64 060	60 219	91 149	85 684
insurance (buildings)	3 281	2 161	4 668	3 075
land rent to LPA	1 969	8 493	2 802	12 084
depreciation of license	145	49	206	70
purchase costs and delivery of materials	78 463	42 214	111 643	60 065
Total	433 550	364 537	616 886	518 689



(3) Costs of administration	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
personnel	32 574	29 902	46 349	42 547
telecommunication service	747	686	1 063	976
office supplies	633	578	901	822
cash turnover expenses	153	225	218	320
transport expenses for administrative needs	4 630	5 679	6 588	8 081
representative expenses	28	50	39	71
legal assistance or raid	1 516	996	2 157	1 417
RFB annual fee	4 375	2 500	6 225	3 557
Total	44 656	40 616	63 540	57 791

(4) Other revenues from commercial operation	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
finances	3 847	8 430	5 474	11 995
other revenues		305		434
insurance recompense	1 441		2 050	
revenues from changes in currency rates	10	1 304	14	1 855
Total	5 298	10 039	7 538	14 284

(5) Other costs of commercial operations	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	EUR	EUR
60% of representative costs	43	74	61	105
donations to Latvian orphans fund	301		428	
allowances and bonuses	646	597	919	850
finances	978	1 085	1 392	1 544
other	7 510	13 087	10 686	18 621
Total	9 478	14 843	13 486	21 120

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

	2011.09.30 LVL	2010.09.30 LVL	2011.09.30 EUR	2010.09.30 EUR
interest from balances of accounts	0	5	0	202
Total	0	5	0	202

(7) Payments of interest and similar expenses

	2011.09.30 LVL	2010.09.30 LVL	2011.09.30 EUR	2010.09.30 EUR
credit interests	98 933	111 038	140 769	157 993
interest to LPA for long term buy-out of land		462		657
SEB Līzings	508		723	
Total	99 441	111 500	141 492	158 650

(8) Other taxes

	2011.09.30 LVL	2010.09.30 LVL	2011.09.30 EUR	2010.09.30 EUR
real estate tax (buildings, land)	15 131	19 998	21 530	28 455
Total	15 131	19 998	21 530	28 455