



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 March 31, 2009

**Prepared in accordance with International Financial Reporting
Standards (IFPS), as adopted by the European Union (EU)**



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Report on the Management Board's responsibility to the non-audited financial statement of JSC „VEF” for the three 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 march 31, 2009.

Middle-term financial statements are prepared according to the EU 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



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 |
| Taxpayers' Reg. Nbr. | On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328 |
| Legal address | LV 40003001328 Brīvības gatve 214, Rīga, LV-1039, Republic of Latvia phone: 7270618, fax: 7552201 |
| Equity capital ¹ : | Ls 2 281 922 as on march 31, 2009 Ls 1 829 908 paid and registered equity capital Ls 114 229 subscribed and paid-up amount of equity capital Ls 337 785 subscribed but not paid-up amount of equity capital |
| Core businesses: | *Power supply - distribution of power; *Letting and renting of real-estate property |
| Shareholders ² : | Ls 1 944 137 as on march 31, 2009 subscribed and paid-up amount of equity capital *VEF KOMUNIKĀCIJU SERVISS SIA- 45.54 % or 885 272 shares; *Komunikāciju Centrs” SIA – 21.93 % or 426 377 shares; *State Social Insurance Agency - 5.02 % or 97 582 shares; * Tamāra Kampāne - 9.41 % or 182 945 shares; * Gints Feņuks - 7.02 % or 136 403 shares ; *Other shareholders - 11.08 % or 215 558 shares: |
| Chief executive officer: | Chairman of the Board of the Company: GINTS FEŅUKS |
| Members of the Board: | TAMĀRA KAMPĀNE AIVARS VĪTOLIŅŠ PĒTERIS AVOTIŅŠ |
| Members of the Supervisory Council: | ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA |
| Period of account: | 01.01.2009. - 31.03.2009. |
| Qualified auditor: | Mara Liguta. Certificate Nbr.55 |

¹ Paid-up equity capital Ls 1 944 137

² Equity capital of the Company is divided into 2 281 922 common shares
Nominal value of a common share is 1 LVL (one Latvian lat).



| ASSETS | Final balance | | Beginning balance | |
|---|------------------|------------------|-------------------|------------------|
| | LVL | LVL | EUR | EUR |
| | 31.03.2009 | 31.03.2008 | 31.03.2009 | 31.03.2008 |
| | | | 0.702804 | 0.702804 |
| LONG-TERM INVESTMENTS | | | | |
| Intangible assets | | | | |
| Concessions, patents, licences | 78 | 83 | 111 | 118 |
| Total intangible assets | 78 | 83 | 111 | 118 |
| | | | | |
| Fixed Assets | | | | |
| Land, buildings and other property | 4 222 924 | 4 264 001 | 6 008 680 | 6 067 127 |
| Equipment and machinery | 10 326 | 20 796 | 14 693 | 29 590 |
| Other fixed assets and inventory | 14 241 | 14 268 | 20 263 | 20 301 |
| Advance payments for fixed assets | 46 726 | 104 599 | 66 484 | 148 831 |
| | | | | |
| Total fixed assets | 4 294 217 | 4 403 664 | 6 110 120 | 6 265 849 |
| | | | | |
| Total long-term investments | 4 294 295 | 4 403 747 | 6 110 231 | 6 265 967 |
| | | | | |
| Current assets | | | | |
| Inventory | | | | |
| Goods for sale | | | | |
| Total inventory | 0 | 0 | 0 | 0 |
| | | | | |
| Debtors | | | | |
| Customers and client debts | 80 888 | 61 420 | 115 093 | 87 393 |
| Other debtors | 53 739 | 24 252 | 76 464 | 34 508 |
| Future period | | | | |
| Future period expenses | 4 490 | 6 350 | 6 389 | 9 035 |
| Subscribed but not paid-up amount of equity capital | 337 785 | | 480 624 | |
| Total debtors | 476 902 | 92 022 | 678 570 | 130 936 |
| | | | | |
| Cash | 9 036 | 11 003 | 12 857 | 15 656 |
| | | | | |
| Total Current assets | 485 938 | 103 025 | 691 427 | 146 592 |
| | | | | |
| | | | | |
| | | | | |
| TOTAL ASSETS | 4 780 233 | 4 506 772 | 6 801 658 | 6 412 559 |



| LIABILITIES | Final balance | | Beginning balance | |
|---|------------------|------------------|-------------------|------------------|
| | LVL | LVL | EUR | EUR |
| | 31.03.2009 | 31.12.2008 | 31.03.2009 | 31.03.2008 |
| | | | 0.702804 | 0.702804 |
| Stockholder's Equity | | | | |
| Common stock | 2 281 922 | 1 829 908 | 3 246 882 | 2 603 724 |
| 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 | 19 696 | 13 823 | 28 025 | 19 669 |
| | | | | |
| Total stockholder's equity | 1 838 453 | 1 353 672 | 2 615 883 | 1 926 102 |
| | | | | |
| 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 | 2 492 507 | 2 705 714 | 3 546 518 | 3 849 884 |
| Prepayments from buyers | 66 232 | 33 814 | 94 240 | 48 113 |
| Other liabilities | 69 444 | 119 215 | 98 810 | 169 628 |
| Deferred tax liability | 140 291 | 153 152 | 199 616 | 217 916 |
| | | | | |
| Total long-term liabilities | 2 768 474 | 3 011 895 | 3 939 184 | 4 285 541 |
| | | | | |
| Current liabilities | | | | |
| Borrowings from credit institutions | 53 302 | 53 302 | 75 842 | 75 842 |
| Accounts payable | 54 941 | 31 843 | 78 174 | 45 308 |
| Taxes and social security payments | 26 440 | 14 682 | 37 621 | 20 891 |
| Other liabilities | 18 078 | 17 246 | 25 723 | 24 539 |
| Future period income | 10 377 | 16 431 | 14 764 | 23 379 |
| | | | | |
| Total current liabilities | 163 138 | 133 504 | 232 124 | 189 959 |
| | | | | |
| | | | | |
| Total liabilities | 2 941 780 | 3 145 399 | 4 185 775 | 4 475 500 |
| | | | | |
| | | | | |
| TOTAL LIABILITIES&STOCKHOLDER'S EQUITY | 4 780 233 | 4 506 772 | 6 801 658 | 6 412 559 |
| | | | | |



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON MARCH
31.2009.**

| | | LVL 31.03.2009 | LVL 31.03.2008 | EUR 31.03.2009 0.702804 | EUR 31.03.2008 0.702804 |
|----------------------------------|----------|---------------------------|---------------------------|--|--|
| 1 | 2 | 4 | 5 | 4 | 5 |
| Net turnover | | 228 133 | 229 790 | 324 604 | 326 962 |
| Cost of goods sold | 1 | -150 996 | -128 075 | -214 848 | -182 234 |
| Gross profit | | 77 137 | 101 715 | 109 756 | 144 728 |
| Selling expenses | | | | | |
| Administrative expenses | 2 | -17 483 | -17 743 | -24 876 | -25 246 |
| Other income from operations | 3 | 3 750 | 957 | 5 336 | 1 362 |
| Other expenses from operations | 4 | -307 | -958 | -437 | -1 363 |
| Financial services income | 5 | 138 | 3 964 | 196 | 5 640 |
| Financial services expenses | 6 | -34 599 | -44 494 | -49 230 | -63 309 |
| Profit before taxes | | 28 636 | 43 441 | 40 745 | 61 812 |
| Other taxes | 7 | -6 980 | -7 134 | -9 932 | -10 151 |
| Deferred tax | | -1 960 | -22 484 | -2 789 | -31 992 |
| Net profit | | 19 696 | 13 823 | 28 025 | 19 668 |
| Earnings per share (EPS) | | | | | |
| EPS on 31.03.2009-0.01076 | | | | | |
| LVL- 0.01531 EUR | | | | | |

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON MARCH 31, 2009**

| | 2009 31.03. | 2008 31.03. | 2009 31.03. | 2008 31.03. |
|--|------------------------------|------------------------------|-------------------------------|-------------------------------|
| | LVL | LVL | EUR 0.702804 | EUR 0.702804 |
| I. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Profit before outstanding items and taxes (+) | 28 636 | 43 441 | 40 745 | 61 812 |
| <i>Adjustments:</i> | | | | |
| fixed assets depreciation (+) | 14 900 | 15 135 | 21 201 | 21 535 |
| intangible assets depreciation (+) | 1 | 1 | 1 | 1 |
| increase/decrease in provisions | | | | |
| profit or losses from exchange rates fluctuation (+/-) | 1 | 27 | 1 | 38 |
| financial service income | 138 | 3 964 | 196 | 5 640 |
| financial services income | 33 233 | 44 494 | 47 286 | 63 309 |
| <i>Profit or losses before adjustments from current assets and liabilities</i> | 76 909 | 18 074 | 109 432 | 25 717 |
| <i>Adjustments:</i> | | | | |
| debtors : increase (-); decrease (+) | -384 880 | 32 000 | -547 635 | 45 532 |
| inventory: increase (-); decrease (+) | | | | |
| liabilities: increase (-); decrease (+) | 126 076 | -103 901 | 179 390 | -147 838 |
| <i>Gross cash provide by operating activities</i> | -181 895 | -53 827 | -258 813 | -76 589 |
| Payments for financial | -33 233 | -44 494 | -47 286 | -63 309 |
| Income tax payments | | | | |
| <i>Net cash provided by operating activities before outstanding items:</i> | -215 128 | -98 321 | -306 100 | -139 898 |
| Cash flow from outstanding items (-/+) | | | | |
| Net cash provided by operating activities : | -215 128 | -98 321 | -306 100 | -139 898 |
| II. CASH FLOWS FROM INVESTING ACTIVITIES : | | | | |
| Fixed assets purchase | | -201 242 | | -286 342 |
| Interest received | 138 | | 196 | |
| Net cash used in investing activities : | 138 | -201 242 | 196 | -286 342 |
| III. CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Income from investments in fixed capital | | | | |
| Borrowings received | | | | |
| Grants and donations received | | | | |
| Expenses for borrowings repayment | -53 302 | -53 302 | -76 127 | -76 127 |
| Subscribed and paid-up amount of equity capital. | 114 728 | | 163 243 | |
| Net cash provided by financing activities : | 61 426 | -53 302 | 87 401 | -76 127 |
| IV. Exchange rate fluctuation result : | 1 | -283 | 1 | -403 |
| Net cash flow | -153 563 | 52 979 | 218 500 | 75 383 |
| CASH AT BEGINNING OF YEAR | 162 599 | 109 620 | 231 358 | 155 975 |
| CASH AT END OF YEAR | 9 036 | 162 599 | 12 858 | 231 358 |



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
MARCH 31, 2009**

| | 31.03.2009 LVL | 31.03.2008 LVL | 31.03.2009 EUR 0.702804 | 31.03.2008 EUR 0.702804 |
|--|-------------------|-------------------|-------------------------------|-------------------------------|
| Stockholder's equity | | | | |
| Balance at the beginning of the financial year | 1 829 908 | 1 829 908 | 2 603 724 | 2 603 724 |
| Increase from | 452 014 | | 643 158 | |
| Decrease from | | | | |
| Balance at the end of the financial year | 2 281 922 | 1 829 908 | 3 246 882 | 2 603 724 |
| Long-term investments revaluation reserve | | | | |
| Balance at the beginning of the financial year | 438 390 | 432 868 | 623 773 | 615 916 |
| Increase from | | 5 522 | | 7 857 |
| Decrease from | | | | |
| Balance at the end of the financial year | 438 390 | 432 390 | 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 | 19 696 | 13 823 | 28 025 | 19 669 |
| Dividendes | | | | |
| Included in accumulations | | | | |
| Balance at the end of the financial year | - 881 858 | -914 626 | - 1 254 771 | - 1 301 396 |
| Stockholder's equity (total) | | | | |
| Balance at the beginning of the financial year | 1 353 672 | 1 346 747 | 2 587 858 | 1 916 248 |
| Balance at the end of the financial year | 1 838 453 | 1 353 672 | 2 615 883 | 1 926 102 |



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON MARCH 31, 2009**

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 01.01.2009 to 31.03.2009.

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.

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.

Credit line

There is a credit JSC "SEB banka". It is included in the long-term and short-term liabilities and the balance at the end of the financial period is 2 545 809 LVL (3 622 360 EUR).



(1) Net turnover

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

| Type of commercial operations | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|--|-------------------|-------------------|-------------------|-------------------|
| power supply, distribution and servicing | 36 517 | 48 866 | 51 959 | 69 530 |
| water supply and sewage services | 1 695 | 4 186 | 2 412 | 5 956 |
| office renting service | 133 166 | 134 666 | 189 478 | 191 613 |
| utility services | 56 755 | 42 072 | 80 755 | 59 863 |
| Total | 228 133 | 229 790 | 324 604 | 326 962 |

Distribution of net turnover by geographical markets

| Country | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Latvia | 228 133 | 229 790 | 324 604 | 326 962 |
| Total | 228 133 | 229 790 | 324 604 | 326 962 |

(2) Cost of sales

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| personnel | 21 033 | 20 103 | 29 927 | 28 604 |
| depreciation | 14 900 | 15 135 | 21 201 | 21 535 |
| transport | 2 629 | 1 682 | 3 741 | 2 393 |
| other outstanding costs | 82 426 | 51 998 | 117 282 | 73 987 |
| personnel training | 90 | 102 | 128 | 145 |
| telecommunication service | 314 | 349 | 447 | 497 |
| other costs tied to commercial operations | 9 179 | 11 465 | 13 061 | 16 313 |
| insurance (buildings) | 1 281 | 1 115 | 1 823 | 1 587 |
| maintenance of buildings 1 and 1a | 14 807 | 17 454 | 21 068 | 24 835 |
| land rent to LPA | 4 336 | 8 671 | 6 120 | 12 338 |
| depreciation of license | 1 | 1 | 1 | 1 |
| other cost | | | | |
| Total | 150 996 | 128 075 | 214 848 | 182 234 |



(3) **Costs of administration**

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| personnel | 12 957 | 13 844 | 18 436 | 19 698 |
| telecommunication service | 314 | 349 | 447 | 496 |
| office supplies | 429 | 493 | 610 | 702 |
| cash turnover expenses | 75 | 57 | 107 | 81 |
| transport expenses for administrative needs | 2 629 | 1 681 | 3 741 | 2 392 |
| representative expenses | 18 | 69 | 26 | 98 |
| legal assistance or raid | 436 | | 620 | |
| RFB annual fee | 625 | 1 250 | 889 | 1 779 |
| audit cost | | | | |
| Total | 17 483 | 17 743 | 24 876 | 25 246 |

(4) **Other revenues from commercial operation**

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| disposal of fixed assets | | | | |
| fines | 290 | 66 | 413 | 94 |
| 1/5 of revenue from writing-off PS | | | | |
| purchase | 1 078 | 269 | 1 534 | 383 |
| 1/5 from financial support given for Gold equipment | 2 381 | 595 | 3 388 | 847 |
| other revenues | | | | |
| insurance recompense | | | | |
| revenues from changes in currency rates | 1 | 27 | 1 | 38 |
| Total | 3 750 | 957 | 5 336 | 1 362 |

(5) **Other costs of commercial operations**

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| losses from changes in currency rates | | | | |
| 40% of representative costs | 12 | 46 | 17 | 65 |
| donations to Latvian orphans fund | | 100 | | 142 |
| allowances and bonuses | 175 | 812 | 249 | 1 156 |
| fines | 120 | | 171 | |
| other costs | | | | |
| Total | 307 | 958 | 437 | 1 363 |



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

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| interest from balances of accounts | 138 | 3 964 | 196 | 5 640 |
| Total | 138 | 3 964 | 196 | 5 640 |

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

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| credit interests | 33 233 | 42 338 | 47 286 | 60 241 |
| interest to LPA for long term buy-out of land | 1 366 | 2 156 | 1 944 | 3 068 |
| Total | 34 599 | 44 494 | 49 230 | 63 309 |

(8) **Other taxes**

| | 2009.03.31 LVL | 2008.03.31 LVL | 2009.03.31 EUR | 2008.03.31 EUR |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| real estate tax (buildings) | 6 980 | 6 683 | 9 932 | 9 509 |
| real estate tax (land) | | 451 | | 642 |
| Total | 6 980 | 7 134 | 9 932 | 10 151 |