



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, 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 June 30, 2011: *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377% ; *Goldinvest Asset Management" SIA – 21.92579% ; *State Social Insurance Agency - 5.01801 %; * Tamāra Kampāne - 9.49529% ; * Gints Feņuks - 7.01432% ; *Other shareholders - 11.02282%.
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. - 30.06.2011.
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 six 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 June 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 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

The Joint Stock Company “VEF” is a publicly traded company, dealing with management and administration of its real estate, rendering space rental and electrical services to consumers on the VEF territory, as well as trading in ferrous and non-ferrous scrap metal.

According to the balance statement of the Company, the revenue from the economic activity in 06 months of 2011 makes LVL 423 335 (602 351 EUR), which is 65 241 LVL (92 829 EUR) it is more than over the previous reporting period.

Having in view the overall national and global economic situation in the recession, a year ago the Company focused its business to the preservation and optimization of the existing volumes of cash flow and followed this target over the proceed in the accounting period.

The Company continues to provide a full scope of its services, while maintaining the jobs and implementing the fund-saving programme, by reducing the outsourcing volumes and prices, as well as diversifying markets and risks.

The Board of Joint Stock Company “VEF” follows the Company’s strategic plans of the previous year, guiding from the economic situation in the country and in particular from the situation in the space rental market. This year the plan is to enhance the monitoring of the market in the rental segment and to react to the changes of the situation, to take also an active tenant attraction for the free spaces within the property of the Company, through enlargement and renovation of the area without any additional fund borrowing, as well as to increase the turnover of the ferrous and non-ferrous metal trading.

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
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	1 369	322	1 948	458
Total intangible assets	1 369	322	1 948	458
Fixed Assets				
Land, buildings and other property	4 130 571	4 171 606	5 877 273	5 935 661
Equipment and machinery				
Other fixed assets and inventory	38 557	33 584	54 862	47 585
Advance payments for fixed assets				
Total fixed assets	4 169 128	4 205 190	5 932 135	5 983 446
Total long-term investments	4 170 497	4 205 512	5 934 083	5 983 905
Current assets				
Inventory				
Goods for sale	90	0	128	0
Total inventory	90	0	128	0
Debtors				
Customers and client debts	15 519	27 237	22 082	38 755
Other debtors	12 235	17 263	17 409	24 563
Future period expenses	772	163	1 098	232
Future period income	21 409		30 462	
Total debtors	49 935	44 663	71 051	63 550
Cash	7 207	5 030	10 254	7 157
Total Current assets	57 232	49 693	81 433	70 707
TOTAL ASSETS	4 227 729	4 255 205	6 015 516	6 054 612



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
			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	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-860 928	-883 184	-1 256 658	-1 256 658
Retained earnings of the financial years	18 286	12 440	17 700	17 700
Total stockholder's equity	1 540 385	1 512 283	2 151 785	2 151 785
PROVISIONS				
Other provisions	9 122	7 522	10 703	10 703
Total provisions	9 122	7 522	10 703	10 703
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 309 249	2 359 177	3 285 765	3 356 806
Prepayments from buyers	25 103	28 468	35 718	40 506
Other liabilities		18 705		26 615
Deferred tax liability	154 894	148 039	220 394	210 642
Total long-term liabilities	2 489 246	2 554 389	3 541 877	3 634 569
Current liabilities				
Borrowings from credit institutions	29 518	38 625	42 000	54 958
Accounts payable	33 715	38 455	47 972	54 716
Taxes and social security payments	67 399	49 769	95 900	70 815
Other liabilities	22 006	54 162	31 312	77 066
Prepayments from buyers	36 338		51 704	
Total current liabilities	188 976	181 011	268 888	257 555
Total liabilities	2 687 344	2 735 400	3 823 746	3 892 124
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 227 729	4 255 205	6 015 516	6 054 612



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

		LVL 30.06.2011	LVL 30.06.2010	EUR 30.06.2011 - 0.702804	EUR 30.06.2010 - 0.702804
1	2	4	4	4	4
Net turnover		423 335	358 094	602 351	509 522
Cost of goods sold	1	-290 732	-237 043	-413 674	-337 282
Gross profit		132 603	121 051	188 677	172 240
Administrative expenses	2	-31 033	-27 183	-44 156	-38 678
Other income from operations	3	1 744	8 141	2 481	11 584
Other expenses from operations	4	-5 535	-1 155	-7 876	-1 643
Financial services income	5		4		6
Financial services expenses	6	-63 253	-72 143	90 001	-102 650
Profit before taxes		34 256	28 715	49 126	40 858
Other taxes	7	-10 088	-9 981	-14 354	-14 202
Deferred tax		-6 152	-6 294	-8 754	-8 956
Net profit		18 286	12 440	26 018	17 700

Earnings per share (EPS) EPS
on 30.06.2011-0.0094 LVL-
0.0094 EUR

Earnings per share (EPS) EPS
on 30.06.2010-0.0064 LVL-
0064 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON JUNE 30, 2011**

	2011 30.06. LVL	2010 30.06. LVL	2011 30.06. EUR 0.702804	2010 30.06. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	34 526	28 715	49 126	40 858
<i>Adjustments:</i>				
fixed assets depreciation (+)	27 530	26 653	39 172	37 924
intangible assets depreciation (+)	71	33	101	47
increase/decrease in provisions	1 600	-2 646	2 277	-3 765
profit or losses from exchange rates fluctuation (+/-)	5	-176	7	-250
financial service income		-4		-6
financial services income	63 253	72 143	90 001	102 650
<i>Profit or losses before adjustments from current assets and liabilities</i>	126 985	124 718	180 684	177 458
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-5 272	65 537	-7 501	93 251
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-14 919	-77 534	-21 228	-110 321
<i>Gross cash provide by operating activities</i>	106 794	112 721	151 955	160 388
Payments for financial	-63 253	-72 143	-90 001	-102 650
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	43 541	40 578	61 954	57 737
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	43 541	40 578	61 954	57 737
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-1 151	-3 246	-1 638	-4 619
Interest received		4		6
Net cash used in investing activities :	-1 151	-3 242	-1 638	-4 613
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-29 518	-38 625	-42 000	-54 958
Payment LPA for long term buy out of land	-10 700	-17 636	-15 226	-25 094
Common stock issued				
Net cash provided by financing activities :	-40 218	-56 263	-57 226	-80 055
IV. Exchange rate fluctuation result :	5	176	7	250
Net cash from	2 177	-18 751	3 097	-26 680
CASH AT BEGINNING OF YEAR	5 030	23 781	7 157	33 837
CASH AT END OF YEAR	7 207	5 030	10 254	7 157



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

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR 0.702804	30.06.2008 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				
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	-860 928	-883 184	-1 224 990	-1 256 658
Profit or losses of the financial year	18 286	12 440	26 018	17 700
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-842 642	-870 744	-1 198 972	-1 238 958
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 512 283	1 497 474	2 151 785	2 130 713
Balance at the end of the financial year	1 540 385	1 512 283	2 191 770	2 151 785



**Annex of the annual report of six
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 3 825 605 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 169 128 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 30.06.2011.

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 six months of 2009 from its core business-service provision without VAT

Type of commercial operations	2011.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2010.06.30 EUR
power supply, distribution and servicing	61 603	52 501	87 653	74 202
water supply and sewage services	276	210	393	299
office renting service	206 389	211 935	293 665	301 556
utility services	93 856	71 494	133 545	101 727
ferrous and non-ferrous metal trading	61 211	21 954	87 095	31 238
Total	423 335	358 094	602 351	509 522

Distribution of net turnover by geographical markets

Country	2011.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2009.06.30 EUR
Latvia	423 335	353 066	602 351	502 368
Estonia		5 028		7 154
Total	423 335	358 094	602 351	509 522

(2) Cost of sales

	2011.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2010.06.30 EUR
personnel	52 449	40 430	74 628	57 527
depreciation	27 530	26 653	39 172	37 924
transport	3 431	3 828	4 882	5 447
other outstanding costs	108 984	98 636	155 070	140 346
personnel training	341	120	485	171
telecommunication service	483	447	687	636
other costs tied to commercial operations	43 572	39 910	61 998	56 787
insurance (buildings)	2 341	1 472	3 330	2 094
land rent to LPA	1 313	7 728	1 868	10 996
depreciation of license	71	33	101	47
purchase costs and delivery of materials	50 217	17 786	71 452	25 307
Total	290 732	237 043	413 674	337 282

**(3) Costs of administration**

	2011.06.30	2010.06.30	2011.06.30	2010.06.30
	LVL	LVL	EUR	EUR
personnel	22 203	19 178	31 592	27 288
telecommunication service	483	448	687	637
office supplies	467	440	664	626
cash turnover expenses	107	151	152	215
transport expenses for administrative needs	3 431	3 828	4 882	5 447
representative expenses	22	42	32	60
legal assistance or raid	570	596	811	848
RFB annual fee	3 750	2 500	5 336	3 557
Total	31 033	27 183	44 156	38 678

(4) Other revenues from commercial operation

	2011.06.30	2010.06.30	2011.06.30	2010.06.30
	LVL	LVL	EUR	EUR
finances	1 739	7 660	2 474	10 890
other revenues		305		434
revenues from changes in currency rates	5	176	7	250
Total	1 744	8 141	2 481	11 584

(5) Other costs of commercial operations

	2011.06.30	2010.06.30	2011.06.30	2010.06.30
	LVL	LVL	EUR	EUR
other expenses	3 755		5 343	
60% of representative costs	34	64	49	91
donations to Latvian orphans fund	201	421	286	599
allowances and bonuses	401	670	570	953
finances	1 144		1 627	
Total	-5 535	1 155	-7 876	1 643



(6) Other revenues from interests or similar sources

	2010.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2010.06.30 EUR
interest from balances of accounts		4		6
Total		4		6

(7) Payments of interest and similar expenses

	2011.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2010.06.30 EUR
credit interests	62 925	71 681	89 534	101 993
lizing	328		467	
interest to LPA for long term buy-out of land		462		657
Total	63 253	72 143	90 001	102 650

(8) Other taxes

	2011.06.30 LVL	2010.06.30 LVL	2011.06.30 EUR	2010.06.30 EUR
real estate tax (buildings,land)	10 088	9 981	14 354	14 202
Total	10 088	9 981	14 354	14 202