



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, 2012



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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.
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, 2012: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52% ; *Nekustamā īpašuma projektu aģentūrat" – 23.74% ; *State Social Insurance Agency - 5.02 %; * Tamāra Kampāne - 9.50% ; * Gints Feņuks - 7.01% ; *Other shareholders - 9.21%.
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:	01.01.2012. - 30.09.2012.
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 2012.

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, 2012.

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
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	1 000	1 295	1 423	1 842
Total intangible assets	1 000	1 295	1 423	1 842
Fixed Assets				
Land, buildings and other property	3 993 453	4 045 358	5 682 172	5 756 026
Equipment and machinery				
Other fixed assets and inventory	84 524	118 116	120 267	168 064
Advance payments for fixed assets				
Total fixed assets	4 077 977	4 163 474	5 802 439	5 924 090
Total long-term investments	4 078 977	4 164 769	5 803 862	5 925 932
Current assets				
Inventory				
Goods for sale	11	0	16	0
Total inventory	11	0	16	0
Debtors				
Customers and client debts	43 836	11 500	62 373	16 363
Other debtors	9 307	17 496	13 242	24 895
Future period expenses	588	1 023	837	1 456
Future period income		21 544		30 654
Total debtors	53 731	51 563	76 452	73 363
Cash	20 606	8 245	29 319	11 732
Total Current assets	74 348	59 808	105 787	85 099
TOTAL ASSETS	4 153 325	4 244 577	5 909 649	6 011 031



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
			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	563 341	451 059	801 562	641 799
Total accumulation				
Retained earnings from the previous years	-793 982	-860 928	-1 129 735	-1 224 990
Retained earnings of the financial years	25 538	25 579	36 337	36 396
Total stockholder's equity	1 739 534	1 560 347	2 475 133	2 220 174
PROVISIONS				
Other provisions	9 185	9 122	13 069	12 979
Total provisions	9 185	9 122	13 069	12 979
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 235 454	2 309 249	3 180 764	3 285 765
Prepayments from buyers	26 487	25 103	37 688	35 719
Other liabilities				
Deferred tax liability	25 596	157 970	36 420	224 771
Total long-term liabilities	2 287 535	2 492 322	3 254 872	3 546 255
Current liabilities				
Borrowings from credit institutions	21 084	14 578	30 000	20 999
Accounts payable	21 067	31 225	29 976	44 429
Taxes and social security payments	32 924	60 780	46 847	86 482
Other liabilities	5 534	19 686	7 874	28 010
Prepayments from buyers	32 903	36 337	46 817	51 703
Other loans	3 557		5 061	
Total current liabilities	117 069	162 786	166 575	231 623
Total liabilities	2 404 606	2 655 108	3 421 447	3 777 878
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 153 325	4 224 577	5 909 649	6 011 031

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON SEPTEMBER
30.2012.**

		LVL 30.09.2012	LVL 30.09.2011	EUR 30.09.2012 - 0.702804	EUR 30.09.2011 - 0.702804
1	2	4	4	4	4
Net turnover		664 762	631 765	945 871	898 921
Cost of goods sold	1	-479 802	-433 550	-682 697	-616 886
Gross profit		184 960	198 215	263 174	282 035
Administrative expenses	2	-44 426	-44 656	-63 213	-63 540
Other income from operations	3	1 187	5 298	1 689	7 538
Other expenses from operations	4	-2 049	-9 478	-2 915	-13 486
Financial services income	5	2		3	
Financial services expenses	6	-95 353	-99 441	-135 675	-141 492
Profit before taxes		44 321	49 938	63 063	71 055
Other taxes	7	-11 177	-15 131	-15 903	-21 530
Deferred tax		-7 606	-9 228	-10 823	-13 130
Net profit		25 538	25 579	36 337	36 396

Earnings per share (EPS) EPS
on 30.09.2012-0.0131 LVL-
0.0131 EUR

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

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2012**

	2012 30.09.	2011 30.09.	2012 30.09.	2011 30.09.
	LVL	LVL	EUR 0.702804	EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	44 321	49 938	63 063	71 055
<i>Adjustments:</i>				
fixed assets depreciation (+)	56 692	41 626	80 665	59 228
intangible assets depreciation (+)	221	145	315	206
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	679	-10	966	-14
financial service income				
financial services income	95 353	99 441	135 675	141 492
<i>Profit or losses before adjustments from current assets and liabilities</i>	197 266	191 140	280 684	271 967
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-2 168	-8 629	-3 085	-12 278
inventory: increase (-); decrease (+)	-11		-16	
liabilities: increase (-); decrease (+)	-49 736	-8 458		-12 035
			-70 768	
<i>Gross cash provide by operating activities</i>	145 351	174 053	206 815	247 655
Payments for financial	-95 353	-99 441	-135 675	-141 492
Income tax payments	-11 177	-15 131	-15 903	-21 529
<i>Net cash provided by operating activities before outstanding items:</i>	38 821	59 481	55 237	84 634
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	38 821	59 481	55 237	59 481
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-2 061	-1 151	-2 932	-1 638
Interest received				
Net cash used in investing activities :	36 760	58 330	52 305	82 996
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-21 084	-44 277	-30 000	-63 001
Payment LPA for long term buy out of land		-11 260		-16 022
Payment SEB Līzings	-2 636	-6 697	-3 751	-9 529
Net cash provided by financing activities :	13 040	-3 904	18 554	-5 555
IV. Exchange rate fluctuation result :	-679	10	-966	14
Net cash from	12 361	-3 894	17 588	-5 541
CASH AT BEGINNING OF YEAR	8 245	4 351	11 732	6 191
CASH AT END OF YEAR	20 606	8 245	29 319	11 732



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
SEPTEMBER 30, 2012**

	30.09.2012 LVL	30.09.2011 LVL	30.09.2012 EUR 0.702804	30.09.2011 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	563 341	438 390	801 562	623 773
Increase from		12 669		18 026
Decrease from				
Balance at the end of the financial year	563 341	451 059	801 562	641 799
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	-793 982	-860 928	-1 129 735	-1 224 990
Profit or losses of the financial year	25 538	25 579	36 337	36 396
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-768 444	-835 349	-1 093 398	-1 188 594
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 713 996	1 519 792	2 438 797	2 162 469
Balance at the end of the financial year	1 739 534	1 560 347	2 475 133	2 220 174



**Annex of the annual report of nine
Months of 2012**

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 2012 are classified by principles of 2011 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 3 734 454 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 077 977 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 01.01.2012. Till 30.09.2012.

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 2012 from its core business-service provision without VAT

Type of commercial operations	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
power supply, distribution and servicing	107 241	94 208	152 590	134 046
water supply and sewage services	381	394	542	561
office renting service	315 585	320 185	449 037	455 582
utility services	121 278	121 635	172 563	173 071
ferrous and non-ferrous metal trading	120 277	95 343	171 139	135 661
Total	664 762	631 765	945 871	898 921

Distribution of net turnover by geographical markets

Country	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
Latvia	664 762	631 765	945 871	898 921
Total	664 762	631 765	945 871	898 921

(2) Cost of sales

	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
personnel	84 031	79 792	119 565	113 534
depreciation	56 692	41 626	80 665	59 228
transport	5 928	4 631	8 436	6 589
other outstanding costs	173 449	158 687	246 796	225 791
personnel training	156	148	222	211
telecommunication service	859	748	1 222	1 064
other costs tied to commercial operations	60 600	64 060	86 227	91 149
insurance (buildings)	2 801	3 281	3 985	4 668
land rent to LPA	3 938	1 969	5 603	2 802
depreciation of license	221	145	314	206
cash turnover expenses	145		206	
purchase costs and delivery of materials	90 982	78 463	129 456	111 643
Total	479 802	433 550	682 697	616 886

**(3) Costs of administration**

	2012.09.30	2011.09.30	2012.09.30	2011.09.30
	LVL	LVL	EUR	EUR
personnel	31 908	32 574	45 401	46 349
telecommunication service	859	747	1 222	1 063
office supplies	954	633	1 357	901
cash turnover expenses	0	153	0	218
transport expenses for administrative needs	5 928	4 630	8 436	6 588
representative expenses	69	28	98	39
legal assistance or raid	331	1 516	471	2 157
RFB annual fee	4 377	4 375	6 228	6 225
Total	44 426	44 656	63 213	63 540

(4) Other revenues from commercial operation

	2012.09.30	2011.09.30	2012.09.30	2011.09.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 187	3 847	1 689	5 474
other revenues				
insurance recompense		1 441		2 050
revenues from changes in currency rates		10		14
Total	1 187	5 298	1 689	7 538

(5) Other costs of commercial operations

	2012.09.30	2011.09.30	2012.09.30	2011.09.30
	LVL	LVL	EUR	EUR
60% of representative costs	125	43	178	61
donations to Latvian orphans fund	152	301	216	428
allowances and bonuses	676	646	962	919
fines	417	978	593	1 392
other	679	7 510	966	10 686
Total	2 049	9 478	2 915	13 486

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

	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
interest from balances of accounts	2	0	3	0
Total	2	0	3	0

(7) Payments of interest and similar expenses

	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
credit interests	95 108	98 933	135 326	140 769
SEB Līzings	245	508	349	723
Total	95 353	99 441	135 675	141 492

(8) Other taxes

	2012.09.30 LVL	2011.09.30 LVL	2012.09.30 EUR	2011.09.30 EUR
real estate tax (buildings, land)	11 177	15 131	15 903	21 530
Total	11 177	15 131	15 903	21 530