



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, 2011



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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 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 march 31, 2011.

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 1 944 637 registered and paid up capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Name of the holder of shares And share capital (%) ² :	As on march 31. 2011 ; *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377 % ; *JSC Goldinvest Asset Management - 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 FENUKS
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:	01.01.2011. - 31.03.2011.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registered equity capital
Ls 1 944 137

² 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).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions,patents,licences	273	338	388	481
Total intangible assets	273	338	388	481
Fixed Assets				
Land,buildings and other property	4 140 830	4 181 865	5 891 870	5 950 258
Equipment and machinery				
Other fixed assets and inventory	42 184	13 287	60 021	18 906
Advance payments for fixed assets				
Total fixed assets	4 183 014	4 195 152	5 951 891	5 969 164
Total long-term investments	4 183 287	4 195 490	5 952 280	5 969 645
Current assets				
Inventory				
Goods for sale		221		314
Total inventory	0	221	0	314
Debtors				
Customers and client debts	49 937	56 490	71 054	80 378
Other debtors	11 778	13 864	16 760	19 727
Future period				
Future period expenses	620	3 457	881	4 919
Total debtors	62 335	73 811	88 695	105 024
Cash	2 899	6 911	4 125	9 833
Total Current assets	65 234	80 943	92 820	115 171
TOTAL ASSETS	4 248 521	4 276 433	6 045 100	6 084 816



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Stockholder's Equity			0.702804	0.702804
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	-1 224 990	-1 256 658
Retained earnings of the financial years	10 661	15 941	15 169	22 682
Total stockholder's equity	1 532 760	1 515 784	2 180 921	2 156 766
PROVISIONS				
Other provisions	9 122	7 522	12 979	10 703
Total provisions	9 122	7 522	12 979	10 763
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 294 490	2 388 695		3 398 807
Prepayments from buyers	25 103	33 766		48 045
Other liabilities		27 705		39 421
Deferred tax liability	150 492	144 309		205 333
Total long-term liabilities	2 470 085	2 594 475		3 691 605
Current liabilities				
Borrowings from credit institutions	59 036	23 866	84 001	33 958
Accounts payable	57 472	34 781	81 775	49 489
Taxes and social security payments	78 150	50 522	111 198	71 886
Other liabilities	5 558	16 915	7 908	24 068
Future period income				
Prepayments from buyers	36 338	32 568	51 704	46 340
Total current liabilities	236 554	158 652	336 586	225 741
Total liabilities	2 706 639	2 760 649	3 851 200	3 928 050
TOTAL LIABILITIES&STOCKHOLDER'S	4 248 521	4 276 433	6 045 100	6 084 816
EQUITY				



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON MARCH
31.2011.**

		LVL 31.03.2011	LVL 31.03.2010	EUR 31.03.2011 - 0.702804	EUR 31.03.2010 - 0.702804
1	2	4	5	4	5
Net turnover		221 249	207 779	314 809	295 643
Cost of goods sold	1	-152 796	-131 394	-217 409	-186 957
Gross profit		68 453	76 835	97 400	
Selling expenses					
Administrative expenses	2	-16 046	-13 974	-22 831	-19 883
Other income from operations	3	828	1 623	1 178	2 309
Other expenses from operations	4	-1 211	-9 303	-1 723	-13 237
Financial services income	5		3		4
Financial services expenses	6	-34 570	-31 239	-49 189	-44 449
Profit before taxes		17 454	23 495	24 835	33 430
Other taxes	7	-5 043	-4 990	-7 176	-7 100
Deferred tax		-1 750	-2 564	-2 490	-3 648
Net profit		10 661	15 941	15 169	22 682

**Earnings per share (EPS) on
31.03.2011 - 0.00548 LVL
- 0.00576 EUR**

**31.03.2010 - 0.00820 LVL
- 0.00820 EUR**

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON MARCH 31, 2011

	2011 31.03. LVL	2010 31.03. LVL	2011 31.03. EUR 0.702804	2010 31.03. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	17 454	23 495	24 835	33 430
<i>Adjustments:</i>				
fixed assets depreciation (+)	13 644	14 682	19 414	20 891
intangible assets depreciation (+)	16	16	23	23
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	27	116	38	165
financial service income		3		4
financial services income	34 570	31 239	49 189	44 449
<i>Profit or losses before adjustments from current assets and liabilities</i>	65 711	69 551	93 498	98 962
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	11 476	403 091	16 329	573 547
inventory: increase (-); decrease (+)	-221	221	-315	315
liabilities: increase (-); decrease (+)	-15 319	-419 770	-21 797	-597 279
Gross cash provide by operating activities	61 647	53 093	87 716	75 545
Payments for financial	-34 570	-31 239	-49 189	-44 449
Income tax payments	-5 043		-7 176	
Net cash provided by operating activities before outstanding items:	22 034	21 854	31 352	31 095
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	22 034	21 854	31 352	31 095
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase				
Interest received			3	4
Net cash used in investing activities :			3	4
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-14 759	-23 866	-21 000	-33 958
Expenses on the purchase of land.	-11 260		-16 022	
Net cash provided by financing activities :	-26 019	-23 866	-37 022	-33 958
IV. Exchange rate fluctuation result :				
Net cash flow	-27	-116	-38	-165
Net cash flow	-4 012	-2 125	-5 708	-3 025
CASH AT BEGINNING OF YEAR	6 911	9 036	9 833	12 858
CASH AT END OF YEAR	2 899	6 911	4 125	9 833

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
MARCH 31, 2011**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR 0.702804	31.03.2010 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 944 637	2 281 922	2 766 969	3 246 882
Increase from				
Decrease from		337 285		479 913
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	10 661	15 941	15 169	22 682
Dividends				
Included in accumulations				
Balance at the end of the financial year	-850 267	-867 243	-1 209 821	-1 233 976
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 515 784	1 838 453	2 156 766	2 615 883
Balance at the end of the financial year	1 532 760	1 515 784	2 180 921	2 156 766



**JSC VEF
FINANCIAL STATEMENTS' APPENDICES
FOR YEAR, WHICH ENDS ON MARCH 31, 2011**

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 01.01.2011 to 31.03.2011.

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 2 353 526 LVL (3 348 765 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	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	31 522	33 861	44 852	48 180
water supply and sewage services	131	126	186	179
office renting service	102 437	111 358	145 755	158 448
utility services	54 423	49 588	77 437	70 557
black and nonferrous metal scrap and scrap purchase	32 736	12 846	46 579	18 279
Total	221 249	207 779	314 809	295 643

Distribution of net turnover by geographical markets

Country	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
Latvia	221 249	202 751	314 809	288 489
Estonia		5 028		7 154
Total	221 249	207 779	314 809	295 643

(2) Cost of sales

	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
personnel	25 006	19 149	35 580	27 247
depreciation	13 644	14 698	19 414	20 914
transport	1 563	1 886	2 224	2 684
other outstanding costs	61 104	59 787	86 943	85 069
personnel training	193	90	275	128
telecommunication service	223	183	317	260
other costs tied to commercial operations	22 463	20 466	31 962	29 121
insurance (buildings)	1 291	918	1 837	1 306
land rent to LPA	766	3 617	1 090	5 146
costs for the purchase and delivery of goods	26 527	10 524	37 745	14 974
other cost	16	76	23	108
Total	152 796	131 394	217 409	186 957



(3) Costs of administration

	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
personnel	10 391	9 307	14 785	13 243
telecommunication service	222	183	319	260
office supplies	196	93	279	132
cash turnover expenses	45		64	
transport expenses for administrative needs	1 562	1 886	2 223	2 684
representative expenses	13	5	18	7
legal assistance or raid	492		700	
RFB annual fee	3 125	2 500	4 446	3 557
audit cost				
Total	16 046	13 974	22 831	19 883

(4) Other revenues from commercial operation

	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
disposal of fixed assets				
fines	828	1 202	1 178	1 710
other revenues		305		434
insurance recompense				
revenues from changes in currency rates		116		165
Total	828	1 623	1 178	2 309

(5) Other costs of commercial operations

	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
60% of representative costs	21	8	30	11
foreign currency loss	27		38	
allowances and bonuses	176	245	251	349
fines	987	157	1 404	223
provisions for bad debtots		8 893		12 654
Total	1 211	9 303	1 723	13 237



Other revenues from interests or similar sources

(6)				
	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
interest from balances of accounts			3	4
Total	0	3	0	4

Payments of interest and similar expenses

(7)				
	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
credit interests	34 437	30 777	49 000	43 792
interest to LPA for long term buy-out of land		462		657
interest to SEB Līzings	133		189	
Total	34 570	31 239	49 189	44 449

Other taxes

(8)				
	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
real estate tax (buildings ,land)	5 043	4 990	7 176	7 100
Total	5 043	4 990	7 176	7 100