



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, 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 June 30, 2012: *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52 % ; *Goldinvest Asset Management" AS – 21.93 % ; *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:	01.01.2012. - 30.06.2012.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registered 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 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 June 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 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 2012 makes LVL 463 995 (660 205 EUR), which is 40 660 LVL (57 854 EUR) it is more than over the previous reporting period.

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
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	1 074	1 369	1 528	1 948
Total intangible assets	1 074	1 369	1 528	1 948
Fixed Assets				
Land, buildings and other property	4 003 437	4 130 571	5 696 378	5 877 273
Equipment and machinery				
Other fixed assets and inventory	91 998	38 557	130 901	54 862
Advance payments for fixed assets				
Total fixed assets	4 095 435	4 169 128	5 827 279	5 932 135
Total long-term investments	4 096 509	4 170 497	5 828 807	5 934 083
Current assets				
Inventory				
Goods for sale	0	90		128
Total inventory	0	90	0	128
Debtors				
Customers and client debts	56 575	15 519	80 499	22 082
Other debtors	9 305	12 235	13 240	17 409
Future period expenses	500	772	712	1 098
Future period income		21 409		30 462
Total debtors	66 380	49 935	94 451	71 051
Cash	16 396	7 207	23 329	10 254
Total Current assets	82 776	57 232	117 780	81 433
TOTAL ASSETS	4 179 285	4 227 729	5 946 587	6 015 516



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
			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	438 390	801 562	623 773
Total accumulation				
Retained earnings from the previous years	-793 982	-860 928	-1 129 735	-1 256 658
Retained earnings of the financial years	16 027	18 286	22 804	17 700
Total stockholder's equity	1 730 023	1 540 385	2 461 601	2 151 785
PROVISIONS				
Other provisions	9 185	9 122	13 069	10 703
Total provisions	9 185	9 122	13 069	10 703
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 235 455	2 309 249	3 180 766	3 285 765
Prepayments from buyers	23 642	25 103	33 640	35 718
Other liabilities				
Deferred tax liability	28 473	154 894	40 513	220 394
Total long-term liabilities	2 287 570	2 489 246	3 254 919	3 541 877
Current liabilities				
Borrowings from credit institutions	42 168	29 518	60 000	42 000
Accounts payable	21 299	33 715	30 306	47 972
Taxes and social security payments	40 578	67 399	57 737	95 900
Other liabilities	5 895	22 006	8 388	31 312
Prepayments from buyers	36 373	36 338	51 754	51 704
Other loans	6 194		8 813	
Total current liabilities	152 507	188 976	216 998	268 888
Total liabilities	2 440 077	2 687 344	3 471 917	3 823 746
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 179 285	4 227 729	5 946 587	6 015 516



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

		LVL 30.06.2012	LVL 30.06.2011	EUR 30.06.2012 - 0.702804	EUR 30.06.2011 - 0.702804
1	2	4	4	4	4
Net turnover		463 995	423 335	660 205	602 351
Cost of goods sold	1	-337 925	-290 732	-480 824	-413 674
Gross profit		126 070	132 603	179 381	188 677
Administrative expenses	2	-30 297	-31 033	-43 109	-44 156
Other income from operations	3	1 037	1 744	1 476	2 481
Other expenses from operations	4	-984	-5 535	-1 400	-7 876
Financial services income	5	2		3	
Financial services expenses	6	-66 197	-63 253	-94 190	90 001
Profit before taxes		29 631	34 256	42 161	49 126
Other taxes	7	-7 622	-10 088	-10 845	-14 354
Deferred tax		-5 982	-6 152	-8 512	-8 754
Net profit		16 027	18 286	22 804	26 018

Earnings per share (EPS) EPS
on 30.06.2012-0.0082 LVL-
0.0082 EUR

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

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

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

	2012 30.06. LVL	2011 30.06. LVL	2012 30.06. EUR 0.702804	2011 30.06. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	29 631	34 526	42 161	49 126
Adjustments:				
fixed assets depreciation (+)	37 778	27 530	53 753	39 172
intangible assets depreciation (+)	148	71	211	101
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	-313	1 600	-445	2 277
financial service income	2		3	
financial services income	66 197	63 253	94 190	90 001
Profit or losses before adjustments from current assets and liabilities	133 443	126 985	189 872	180 684
Adjustments:				
debtors : increase (-); decrease (+)	-16 445	-5 272	-23 399	-7 501
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-9 068	-14 919	-12 903	-21 228
Gross cash provide by operating activities	107 930	106 794	153 571	151 955
Payments for financial	-66 197	-63 253	-94 190	-90 001
Income tax payments				
Net cash provided by operating activities before outstanding items:	41 733	43 541	59 381	61 954
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	41 733	43 541	59 381	61 954
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-607	-1 151	-864	-1 638
Interest received	2		3	
Net cash used in investing activities :	-605	-1 151	-861	-1 638
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-31 626	-29 518	-45 000	-42 000
Payment LPA for long term buy out of land		-10 700		-15 226
Net cash provided by financing activities :	-31 626	-40 218	-45 000	-57 226
IV. Exchange rate fluctuation result :	-313	5	-445	7
Net cash flom	9 189	2 177	13 075	3 097
CASH AT BEGINNING OF YEAR	7 207	5 030	10 254	7 157
CASH AT END OF YEAR	16 396	7 207	23 329	10 254



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

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR 0.702804	30.06.2011 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				
Decrease from				
Balance at the end of the financial year	563 341	438 390	801 562	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	-793 982	-860 928	-1 129 735	-1 224 990
Profit or losses of the financial year	16 027	18 286	22 804	26 018
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-777 955	-842 642	-1 106 931	-1 198 972
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 540 385	1 512 283	2 191 770	2 151 785
Balance at the end of the financial year	1 730 023	1 540 385	2 461 601	2 191 770



**Annex of the annual report of six
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%;
- 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 3 751 912 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 095 435 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 06.30..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 six months of 2012 from its core business-service provision without VAT

Type of commercial operations	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
power supply, distribution and servicing	70 679	61 603	100 567	87 653
water supply and sewage services	251	276	357	393
office renting service	207 888	206 389	295 798	293 665
utility services	91 534	93 856	130 241	133 545
ferrous and non-ferrous metal trading	93 643	61 211	133 242	87 095
Total	463 995	423 335	660 205	602 351

Distribution of net turnover by geographical markets

Country	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
Latvia	463 995	423 335	660 205	602 351
Total	463 995	423 335	660 205	602 351

(2) Cost of sales

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
personnel	53 160	52 449	75 640	74 628
depreciation	37 778	27 530	53 753	39 172
transport	4 082	3 431	5 808	4 882
other outstanding costs	123 715	108 984	176 031	155 070
personnel training	156	341	222	485
telecommunication service	545	483	775	687
other costs tied to commercial operations	41 953	43 572	59 694	61 998
insurance (buildings)	1 872	2 341	2 664	3 330
land rent to LPA	2 625	1 313	3 735	1 868
depreciation of license	148	71	211	101
purchaser costs and delivery of materials	71 891	50 217	102 292	71 452
Total	337 925	290 732	480 824	413 674



(3) Costs of administration

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
personnel	20 847	22 203	29 663	31 592
telecommunication service	546	483	777	687
office supplies	708	467	1 007	664
cash turnover expenses	96	107	137	152
transport expenses for administrative needs	4 081	3 431	5 807	4 882
representative expenses	65	22	92	32
legal assistance or raid	202	570	287	811
RFB annual fee	3 752	3 750	5 339	5 336
Total	30 297	31 033	43 109	44 156

(4) Other revenues from commercial operation

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
finances	1 037	1 739	1 476	2 474
other revenues				
revenues from changes in currency rates		5		7
Total	1 037	1 744	1 476	2 481

(5) Other costs of commercial operations

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
losses from currency conversion	313		445	
other expenses		3 755		5 343
60% of representative costs	120	34	171	49
donations to Latvian orphans fund		201		286
allowances and bonuses	351	401	499	570
finances	200	1 144	285	1 627
Total	984	5 535	1 400	7 876

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

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
interest from balances of accounts	2		3	
Total	2		3	

(7) Payments of interest and similar expenses

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
credit interests	66 001	62 925	93 911	89 534
lizing	196	328	279	467
Total	66 197	63 253	94 190	90 001

(8) Other taxes

	2012.06.30 LVL	2011.06.30 LVL	2012.06.30 EUR	2011.06.30 EUR
real estate tax (buildings, land)	7 622	10 088	10 845	14 354
Total	7 622	10 088	10 845	14 354