



JSC VEF, Brīvības gatve 214, Rīga, LV-1039



**JOINT STOCK COMPANY VEF**  
(Unified registration number 40003001328)

**AUDITED FINACIAL STATEMENTS**  
For the period ended on December 31, 2012

That has been prepared according to the legislation standards of the Republic of Latvia



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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<br>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<br>phone: 67270618  |
| Equity capital <sup>1</sup> :                      | Ls 1 944 637 paid and registered equity capital.  |
| Core businesses:                                   | *Power supply - distribution of power;<br>*Letting and renting of real-estate property<br>*Ferrous and non-ferrous waste and scrap purchase.  |
| Name of the holder of shares and share capital (%) | As on december 31, 2012:<br>*VEF KOMUNIKĀCIJU SERVISS SIA - 45.52 % ;<br>*SIA „NĪPA ” - 23.74 % ;<br>*State Social Insurance Agency - 4.99 % ;<br>* Tamāra Kampāne - 9.50 % ;<br>* Gints Feņuks - 7.01 % ;<br>*Other shareholders - 9.24 %. |
| Chief executive officer:                           | Chairman of the Board of the Company:<br>GINTS FEŅUKS   |
| Members of the Board:                              | TAMĀRA KAMPĀNE<br>PĒTERIS AVOTIŅŠ<br>AIVARS VĪTOLIŅŠ  |
| Members of the Supervisory Council:                | ANDRIS DENIŅŠ<br>INTS KALNIŅŠ<br>GUNTIS LIPIŅŠ<br>JĀNIS LĀMA  |
| Period of account:                                 | 01.01.2012. - 31.12.2012.   |
| Qualified auditor:                                 | Mara Liguta. Certificate Nbr.55   |

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<sup>1</sup> 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 no audited financial statement of JSC „VEF” for the twelve months of 2012**

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the financial statements of the Company. The financial statements audited.

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 December 31, 2012.

Accounting principles used in preparation of the financial statements have not been changed comparing to the previous reporting period. During preparation of the financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the 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/ as well as electronic and electrical equipment and devices collection and sorting according B category permit operating conditions.

According to the balance statement of the Company, the revenue from the economic activity in 12 months of 2012 makes LVL 866 415 , which is 11 395 LVL more than over the previous reporting 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 to increase the turnover of the ferrous and non-ferrous metal trading and expand the operation of any B class licence under.

On behalf of the Management Board of JSC „VEF”,

Gints Fenuks  
Chairman of the Management Board



| ASSETS                             | Final balance    |                  | Beginning balance |                  |
|------------------------------------|------------------|------------------|-------------------|------------------|
|                                    | LVL              | LVL              | EUR               | EUR              |
|                                    | 31.12.2012       | 31.12.2011       | 31.12.2012        | 31.12.2011       |
|                                    |                  |                  | 0.702804          | 0.702804         |
| <b>LONG-TERM INVESTMENTS</b>       |                  |                  |                   |                  |
| <b>Intangible assets</b>           |                  |                  |                   |                  |
| Concessions, patents, licences     | 927              | 1 222            | 1 319             | 1 739            |
| <b>Total intangible assets</b>     | <b>927</b>       | <b>1 222</b>     | <b>1 319</b>      | <b>1 739</b>     |
|                                    |                  |                  |                   |                  |
| <b>Fixed Assets</b>                |                  |                  |                   |                  |
| Land, buildings and other property | 3 983 467        | 4 023 407        | 5 667 963         | 5 724 792        |
| Other fixed assets and inventory   | 88 763           | 109 212          | 126 298           | 155 935          |
|                                    |                  |                  |                   |                  |
| <b>Total fixed assets</b>          | <b>4 072 230</b> | <b>4 132 619</b> | <b>5 794 261</b>  | <b>5 880 187</b> |
|                                    |                  |                  |                   |                  |
| <b>Total long-term investments</b> | <b>4 073 157</b> | <b>4 133 841</b> | <b>5 795 580</b>  | <b>5 881 926</b> |
|                                    |                  |                  |                   |                  |
| <b>Current assets</b>              |                  |                  |                   |                  |
| <b>Inventory</b>                   |                  |                  |                   |                  |
| Goods for sale                     | 0                | 0                | 0                 | 0                |
| <b>Total inventory</b>             | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>         |
|                                    |                  |                  |                   |                  |
| <b>Debtors</b>                     |                  |                  |                   |                  |
| Customers and client debts         | 23 440           | 9 175            | 33 352            | 13 055           |
| Other debtors                      | 11 115           | 29 519           | 15 815            | 42 002           |
| Future period                      | 34068            | 28 710           | 48 474            | 40 851           |
| Future period expenses             | 1 505            | 1 394            | 2 141             | 1 983            |
| <b>Total debtors</b>               | <b>70 128</b>    | <b>68 798</b>    | <b>99 783</b>     | <b>97 891</b>    |
|                                    |                  |                  |                   |                  |
| <b>Cash</b>                        | 10 259           | 17 990           | 14 597            | 25 598           |
|                                    |                  |                  |                   |                  |
| <b>Total Current assets</b>        | <b>80 387</b>    | <b>86 788</b>    | <b>114 380</b>    | <b>123 488</b>   |
|                                    |                  |                  |                   |                  |
|                                    |                  |                  |                   |                  |
|                                    |                  |                  |                   |                  |
| <b>TOTAL ASSETS</b>                | <b>4 153 544</b> | <b>4 220 629</b> | <b>5 909 961</b>  | <b>6 005 414</b> |



| LIABILITIES                                | Final balance    |                  | Beginning balance |                   |
|--|------------------|------------------|-------------------|-------------------|
|  | LVL              | LVL              | EUR               | EUR               |
|  | 31.12.2012       | 31.12.2011       | 31.12.2012        | 31.12.2011        |
|  |                  |                  | <b>0.702804</b>   | <b>0.702804</b>   |
| <b>Stockholder's Equity</b>                |                  |                  |                   |                   |
| Common stock                               | 1 944 637        | 1 944 637        | 2 766 969         | 2 766 969         |
| Long-term investments revaluation reserve  | 563 341          | 563 341          | 801 562           | 801 562           |
|  |                  |                  |                   |                   |
| <b>Total accumulation</b>                  |                  |                  |                   |                   |
| Retained earnings from the previous years  | -793 982         | -860 928         | - 1 129 735       | -1 224 990        |
| Retained earnings of the financial years   | 25 336           | 66 946           | 36 050            | 95 256            |
|  |                  |                  |                   |                   |
| <b>Total stockholder's equity</b>          | <b>1 739 332</b> | <b>1 713 996</b> | <b>2 474 846</b>  | <b>2 2438 797</b> |
|  |                  |                  |                   |                   |
| <b>PROVISIONS</b>                          |                  |                  |                   |                   |
| Other provisions                           | 10 193           | 9 185            | 14 503            | 13 069            |
| <b>Total provisions</b>                    | <b>10 193</b>    | <b>9 185</b>     | <b>14 503</b>     | <b>13 069</b>     |
|  |                  |                  |                   |                   |
| <b>LIABILITIES</b>                         |                  |                  |                   |                   |
|  |                  |                  |                   |                   |
| <b>Long-term liabilities</b>               |                  |                  |                   |                   |
| Borrowings from credit institutions        | 2 151 118        | 2 250 213        | 3 060 765         | 3 201 765         |
| Prepayments from buyers                    | 25 103           | 25 103           | 35 718            | 35 718            |
| Deferred tax liability                     | 35 954           | 17 993           | 51 158            | 25 602            |
|  |                  |                  |                   |                   |
| <b>Total long-term liabilities</b>         | <b>2 212 175</b> | <b>2 293 309</b> | <b>3 147 641</b>  | <b>3 263 085</b>  |
|  |                  |                  |                   |                   |
| <b>Current liabilities</b>                 |                  |                  |                   |                   |
| Borrowings from credit institutions        | 84 336           | 59 036           | 119 999           | 84 001            |
| Other loans                                | 15 787           | 11 387           | 22 463            | 16 202            |
| Accounts payable                           | 34 861           | 28 227           | 49 603            | 40 163            |
| Taxes and social security payments         | 17 037           | 61 910           | 24 241            | 88 090            |
| Other liabilities                          | 4 983            | 5 625            | 7 090             | 8 004             |
| Future period income                       | 0                | 0                | 0                 | 0                 |
| Prepayments from buyers                    | 34 840           | 37 954           | 49 573            | 54 004            |
| <b>Total current liabilities</b>           | <b>191 844</b>   | <b>204 139</b>   | <b>272 969</b>    | <b>290 464</b>    |
|  |                  |                  |                   |                   |
|  |                  |                  |                   |                   |
| <b>Total liabilities</b>                   | <b>2 404 019</b> | <b>2 497 448</b> | <b>3 420 611</b>  | <b>3553 548</b>   |
|  |                  |                  |                   |                   |
|  |                  |                  |                   |                   |
| <b>TOTAL LIABILITIES&amp;STOCKHOLDER'S</b> | <b>4 153 544</b> | <b>4 220 629</b> | <b>5 909 961</b>  | <b>6 005 414</b>  |
| <b>EQUITY</b>                              |                  |                  |                   |                   |
|  |                  |                  |                   |                   |



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER  
31.2012.**

|                                 |          | <b>LVL<br/>31.12.2012</b> | <b>LVL<br/>31.12.2011</b> | <b>EUR<br/>31.12.2012 -<br/>0.702804</b> | <b>EUR<br/>31.12.2011 -<br/>0.702804</b> |
|---------------------------------|----------|---------------------------|---------------------------|--|--|
| <b>1</b>                        | <b>2</b> | <b>4</b>                  | <b>5</b>                  | <b>4</b>                                 | <b>5</b>                                 |
| Net turnover                    | 1        | 866 415                   | 855 020                   | 1 232 797                                | 1 216 584                                |
| Cost of goods sold              | 2        | -617 372                  | -594 678                  | -878 441                                 | -846 151                                 |
| <b>Gross profit</b>             |          | <b>249 043</b>            | <b>260 342</b>            | <b>352 921</b>                           | <b>370 433</b>                           |
| Administrative expenses         | 3        | -61 749                   | -59 177                   | -87 861                                  | -84 201                                  |
| Other income from operations    | 4        | 1 924                     | 37 203                    | 2 738                                    | 52 935                                   |
| Other expenses from operations  | 5        | -7 407                    | -146 244                  | -10 539                                  | -208 086                                 |
| Financial services income       | 6        | 2                         | 0                         | 3  | 0  |
| Financial services expenses     | 7        | -124 297                  | -135 752                  | -176 859                                 | -193 158                                 |
| <b>Profit before taxes</b>      |          | <b>57 516</b>             | <b>-43 628</b>            | <b>81 838</b>                            | <b>-62 077</b>                           |
| Other taxes                     | 8        | -14 219                   | -20 175                   | -20 232                                  | -28 706                                  |
| Deferred tax                    |          | -17 961                   | 130 749                   | -25 556                                  | 186 039                                  |
| <b>Net profit</b>               |          | <b>25 336</b>             | <b>66 946</b>             | <b>36 050</b>                            | <b>95 256</b>                            |
| <b>Earnings per share (EPS)</b> |          |                           |                           |  |  |
| <b>EPS on 31.12.2012</b>        |          |                           |                           |  |  |
| <b>-0.0130 LVL- 0.0130 EUR</b>  |          |                           |                           |  |  |
| Chairman of the Board           |          | G.Feņuks                  | Member of the<br>Board    | T.Kampāne                                |  |



**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2012**

|  | 2012<br>31.12.<br><br>LVL | 2011<br>31.12.<br><br>LVL | 2012<br>31.12.<br><br>EUR<br>0.702804 | 2011<br>31.12.<br><br>EUR<br>0.702804 |
|--|---------------------------|---------------------------|---------------------------------------|---------------------------------------|
| <b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>                                  |                           |                           |                                       |                                       |
| Profit before outstanding items and taxes (+)                                  | 57 516                    | -43 628                   | 87 408                                | -62 077                               |
| <i>Adjustments:</i>  |                           |                           |                                       |                                       |
| fixed assets depreciation (+)  | 75 907                    | 63 480                    | 108 006                               | 90 324                                |
| intangible assets depreciation (+)   | 295                       | 218                       | 420                                   | 310                                   |
| increase/decrease in provisions  |                           | 63                        |                                       | 90                                    |
| profit or losses from exchange rates fluctuation (+/-)                         | 1 121                     | 20                        | 1 595                                 | 28                                    |
| financial service income   | -2                        |                           | -3                                    |                                       |
| long-term investment increase in the amount of revaluation reserve (+/-)       |                           | 124 951                   |                                       | 177 789                               |
| financial services income  | 124 297                   | 135 752                   | 176 859                               | 193 158                               |
| <i>Profit or losses before adjustments from current assets and liabilities</i> | <b>260 142</b>            | <b>280 856</b>            | <b>370 149</b>                        | <b>399 622</b>                        |
| <i>Adjustments:</i>  |                           |                           |                                       |                                       |
| debtors : increase (-); decrease (+)   | -1 330                    | 8 846                     | -1 892                                | 12 587                                |
| inventory: increase (-); decrease (+)  | 0                         | 0                         |                                       | 0                                     |
| liabilities: increase (-); decrease (+)  | -37 395                   | -39 026                   | -53 208                               | -55 529                               |
| <i>Gross cash provide by operating activities</i>                              | <b>221 417</b>            | <b>250 676</b>            | <b>315 048</b>                        | <b>356 680</b>                        |
| Payments for financial   | -124 297                  | -135 752                  | -176 859                              | -193 158                              |
| <i>Net cash provided by operating activities before outstanding items:</i>     | <b>97 120</b>             | <b>114 924</b>            | <b>138 189</b>                        | <b>163 522</b>                        |
| Cash flow from outstanding items (-/+)   |                           |                           |                                       |                                       |
| <b>Net cash provided by operating activities :</b>                             | <b>97 122</b>             | <b>114 924</b>            | <b>138 189</b>                        | <b>163 522</b>                        |
| <b>II. CASH FLOWS FROM INVESTING ACTIVITIES :</b>                              |                           |                           |                                       |                                       |
| Fixed assets purchase  | -17 134                   | -18 071                   | -24 380                               | -25 713                               |
| Interest received  | 0                         | 0                         | 0                                     | 0                                     |
| <b>Net cash used in investing activities :</b>                                 | <b>-17 134</b>            | <b>-18 071</b>            | <b>-24 380</b>                        | <b>-25 713</b>                        |
| <b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>                              |                           |                           |                                       |                                       |
| Expenses for borrowings repayment  | -73 494                   | -59 036                   | -104 573                              | -84 001                               |
| Payments LPA for long term buy out of land                                     | 0                         | -11 260                   | 0                                     | -16 022                               |
| SEB Līzings  | -13 104                   | -9 255                    | -18 645                               | -13 169                               |
| <b>Net cash provided by financing activities :</b>                             | <b>-86 598</b>            | <b>-79 551</b>            | <b>-123 218</b>                       | <b>-113 192</b>                       |
| <b>IV. Exchange rate fluctuation result :</b>                                  | <b>-1 121</b>             | <b>-20</b>                | <b>-1 595</b>                         | <b>-28</b>                            |
| <b>Net cash from</b>   | <b>-7 731</b>             | <b>17 282</b>             | <b>-11 000</b>                        | <b>24 590</b>                         |
| <b>CASH AT BEGINNING OF YEAR</b>   | <b>17 990</b>             | <b>708</b>                | <b>25 597</b>                         | <b>1 007</b>                          |
| <b>CASH AT END OF YEAR</b>   | <b>10 259</b>             | <b>17 990</b>             | <b>14 597</b>                         | <b>25 597</b>                         |



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON  
DECEMBER 31, 2012**

|  | 31.12.2012<br>LVL | 31.12.2011<br>LVL | 31.12.2012<br>EUR<br>0.702804 | 31.12.2011<br>EUR<br>0.702804 |
|--|-------------------|-------------------|-------------------------------|-------------------------------|
| <b>Stockholder's equity</b>                      |                   |                   |                               |                               |
| 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                     |
| <b>Long-term investments revaluation reserve</b> |                   |                   |                               |                               |
| Balance at the beginning of the financial year   | 563 341           | 438 390           | 801 562                       | 623 773                       |
| Increase from                                    |                   | 124 951           |                               | 177 789                       |
| Decrease from                                    |                   |                   |                               |                               |
| Balance at the end of the financial year         | 563 341           | 563 341           | 801 562                       | 801 562                       |
| <b>Accumulations</b>                             |                   |                   |                               |                               |
| Balance at the beginning of the financial year   |                   |                   |                               |                               |
| Increase from                                    |                   |                   |                               |                               |
| Decrease from                                    |                   |                   |                               |                               |
| Balance at the end of the financial year         |                   |                   |                               |                               |
| <b>Retained earnings</b>                         |                   |                   |                               |                               |
| 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           | 25 336            | 66 946            | 36 050                        | 95 256                        |
| Balance at the end of the financial year         | -768 646          | -793 982          | -1 093 685                    | -1 129 735                    |
| <b>Stockholder's equity (total)</b>              |                   |                   |                               |                               |
| Balance at the beginning of the financial year   | 1 713 996         | 1 522 099         | 2 438 797                     | 2 165 752                     |
| Balance at the end of the financial year         | 1 739 332         | 1 713 996         | 2 474 846                     | 2 438 797                     |



**JSC VEF  
FINANCIAL STATEMENTS' APPENDIXES  
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2012**

**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.

**Revenue recognition and net sales**

Net turnover is the total value of the sold production (services) during the year without discounts and value added tax.

Other revenues are recognized as follows:

- revenue from rents - as they were incurred;
- revenue from penalties and default fees - at the time of receipt.

**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 12 months, from 01.01.2012 to 31.12.2012.

**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**

Fixed assets are presented in the acquisition or revaluation cost less depreciation. Depreciation is calculated on a straight-line method over the asset's useful period of usage. The following rates of depreciation is set by management, to write down fixed asset value to its estimated residual value at the useful end of period:

|   | (% in the<br>year) |
|---|--------------------|
| Buildings and structures                        | 1                  |
| Other fixtures and fittings, tools and vehicles | 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.

### **Debtors**

Accounts receivable in balance sheet are stated in net worth from the initial value minus reserves for doubtful and bad debts. Specific provision for doubtful and bad debts are created when management believes that the recovery of these specially segregated receivables are doubtful.

## **Financial risk management**

The significant financial tools of Company are borrowings from credit institutions, legal persons and related parties, finance lease, money and short-term deposits. The main task of these financial tools is to provide Company's economic activity with funding. The Company also faces with other financial tools, such as trade debtors, other debtors, debts to suppliers and other creditors, which result directly from economic activity.

### ***Currency risk***

The Company has no currency fluctuation risk, because all transactions are made in euro's or lats. And since 1st January 2005 lats have been fixed to euros by the Bank of Latvia with official rate of exchange 0.702804. Thereby future profit or losses of the Company from currency rate fluctuations shall be insignificant, as long as Bank of Latvia keeps the mentioned fixed exchange rate.

### ***Interest rate risk***

The Company has interest rate risk mainly because of its borrowings.

### ***Credit risk***

### ***Liquidity risk***

Company controls its liquidity risk by keeping appropriate amount of money or money equivalents.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first twelve months of 2012 from its core business-service provision without VAT

| Type of commercial operations                        | 2012.12.31<br>LVL | 2011.12.31<br>LVL | 2012.12.31<br>EUR | 2011.12.31<br>EUR |
|--|-------------------|-------------------|-------------------|-------------------|
| power supply, distribution and servicing             | 149 865           | 131 345           | 213 238           | 186 887           |
| rental income  | 409 337           | 406 523           | 582 434           | 578 430           |
| utility services                                     | 186 905           | 185 033           | 265 942           | 263 278           |
| ferrous an non-ferrous waste and scrap sales revenue | 120 308           | 131 569           | 171 182           | 187 205           |
| <b>Total</b>   | <b>866 415</b>    | <b>855 020</b>    | <b>1 232 797</b>  | <b>1 216 584</b>  |

**Distribution of net turnover by geographical markets**

|              | 2012.12.31<br>LVL | 2011.12.31<br>LVL | 2012.12.31<br>EUR | 2011.12.31<br>EUR |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Country      |                   |                   |                   |                   |
| Latvia       | 866 415           | 855 020           | 1 232 797         | 1 216 584         |
| <b>Total</b> | <b>866 415</b>    | <b>855 020</b>    | <b>1 232 797</b>  | <b>1 216 584</b>  |

**Cost of sales****(2)**

|   | 2012.12.31<br>LVL | 2011.12.31<br>LVL | 2012.12.31<br>EUR | 2011.12.31<br>EUR |
|---|-------------------|-------------------|-------------------|-------------------|
| labor and social payments                           | 112 150           | 105 616           | 159 575           | 150 278           |
| depreciation  | 75 907            | 63 480            | 108 006           | 90 324            |
| transport   | 7 550             | 6 645             | 10 742            | 9 455             |
| residential services (electricity, water )          | 243 103           | 219 929           | 345 904           | 312 931           |
| travel expenses                                     | 378               |                   | 538               |                   |
| personnel training                                  | 156               | 148               | 222               | 210               |
| telecommunication service                           | 1 108             | 1 084             | 1 577             | 1 542             |
| other costs tied to commercial operations           | 76 537            | 83 235            | 108 902           | 118 432           |
| insurance (buildings)                               | 3 730             | 4 222             | 5 307             | 6 007             |
| land rent to LPA                                    | 5 250             | 2 935             | 7 470             | 4 176             |
| depreciation of license                             | 295               | 218               | 420               | 310               |
| bank service  | 194               | 204               | 276               | 290               |
| ferrous an non-ferrous waste and scrap selling cost | 91 014            | 106 963           | 129 501           | 152 195           |
| <b>Total</b>  | <b>617 372</b>    | <b>594 678</b>    | <b>878 441</b>    | <b>846 151</b>    |

**Costs of administration**

2012.12.31 2011.12.31 2012.12.31 2011.12.31

| (3)   | LVL           | LVL           | EUR           | EUR           |
|---|---------------|---------------|---------------|---------------|
| labor and social payments                   | 44 852        | 42 997        | 63 819        | 61 179        |
| telecommunication service                   | 1 108         | 1 084         | 1 577         | 1 542         |
| office supplies                             | 1 174         | 944           | 1 670         | 1 343         |
| transport expenses for administrative needs | 7 550         | 6 645         | 10 747        | 9 455         |
| representative expenses                     | 81            | 75            | 115           | 107           |
| legal assistance or raid                    | 1 084         | 1 532         | 1 542         | 2 180         |
| RFB annual fee                              | 5 000         | 5 000         | 7 114         | 7 114         |
| auditor cost                                | 900           | 900           | 1 281         | 1 281         |
| <b>Total</b>                                | <b>61 749</b> | <b>59 177</b> | <b>87 861</b> | <b>84 201</b> |

**Other revenues from commercial operation**

| (4)                             | 2012.12.31<br>LVL | 2011.12.31<br>LVL | 2012.12.31<br>EUR | 2011.12.31<br>EUR |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| disposal of fixed assets        |                   |                   |                   |                   |
| finances                        | 1 239             | 4 548             | 1 763             | 6 471             |
| other revenues                  | 644               | 31 214            | 916               | 44 414            |
| income from currency conversion | 0                 | 0                 | 0                 | 0                 |
| insurance recompense            | 41                | 1 441             | 58                | 2 050             |
| <b>Total</b>                    | <b>1 924</b>      | <b>37 203</b>     | <b>2 737</b>      | <b>52 935</b>     |

**Other costs of commercial operations**

| (5)                                   | 2012.12.31<br>LVL | 2011.12.31<br>LVL | 2012.12.31<br>EUR | 2011.12.31<br>EUR |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| losses from changes in currency rates | 1 121             | 20                | 1 595             | 28                |
| 60% of representative costs           | 144               | 129               | 205               | 184               |
| donations to Latvian orphans fund     | 467               | 403               | 665               | 573               |
| allowances and bonuses                | 701               | 701               | 997               | 997               |
| late payment penalty on taxes         | 3 190             | 8 898             | 4 539             | 12 661            |
| finances Sadales tīklam               | 625               | 0                 | 889               | 0                 |
| torn down 19 korp. Bērzaunes 7a       | 0                 | 131 032           | 0                 | 186 442           |
| other costs                           | 1 159             | 5 061             | 1 649             | 7 201             |
| <b>Total</b>                          | <b>7 407</b>      | <b>146 244</b>    | <b>10 539</b>     | <b>208 086</b>    |



|  |                                    |            |            |            |            |
|--|------------------------------------|------------|------------|------------|------------|
| Other revenues from interests or similar sources |                                    |            |            |            |            |
| (6)  |                                    | 2012.12.31 | 2011.12.31 | 2012.12.31 | 2011.12.31 |
|  |                                    | LVL        | LVL        | EUR        | EUR        |
| <hr/>  |                                    |            |            |            |            |
|  | interest from balances of accounts | 2          | 5          | 3          | 7          |
| <hr/>  |                                    |            |            |            |            |
|  | Total                              | 2          | 5          | 3          | 7          |
| <hr/>  |                                    |            |            |            |            |
| Payments of interest and similar expenses        |                                    |            |            |            |            |
| (7)  |                                    | 2012.12.31 | 2011.12.31 | 2012.12.31 | 2011.12.31 |
|  |                                    | LVL        | LVL        | EUR        | EUR        |
| <hr/>  |                                    |            |            |            |            |
|  | SEB Līzings                        | 264        | 661        | 376        | 941        |
|  | credit interests                   | 123 851    | 135 091    | 176 224    | 192 217    |
|  | Swedbank līzings                   | 182        | 0          | 259        | 0          |
| <hr/>  |                                    |            |            |            |            |
|  | Total                              | 124 297    | 135 752    | 176 859    | 193 158    |
| <hr/>  |                                    |            |            |            |            |
| Other taxes                                      |                                    |            |            |            |            |
| (8)  |                                    | 2012.12.31 | 2011.12.31 | 2012.12.31 | 2011.12.31 |
|  |                                    | LVL        | LVL        | EUR        | EUR        |
| <hr/>  |                                    |            |            |            |            |
|  | real estate tax (buildings,land)   | 14 219     | 20 175     | 20 232     | 28 706     |
| <hr/>  |                                    |            |            |            |            |
|  | Total                              | 14 219     | 20 175     | 20 232     | 28 706     |
| <hr/>  |                                    |            |            |            |            |