



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 September 30, 2009



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GENERAL INFORMATION

Title of enterprise	Joint stock company VEF
Legal type of enterprise	Public joint stock company
Registered:	On April 15, 1991 in the Register of Enterprises of the Republic of Latvia, re-registered on December 7, 2000 with Nbr. 000300132 On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328
Taxpayers' Reg. Nbr.	LV 40003001328
Legal address	Brīvības gatve 214, Rīga, LV-1039, Republic of Latvia phone: 7270618, fax: 7552201
Equity capital ¹ :	Ls 1 944 637 paid and registered equity capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Name of the holder of shares and share capital (%)	As on June 30, 2009: *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377% ; *Komunikāciju Centrs" SIA – 21.92579% ; *State Social Insurance Agency - 5.01801% ; * Tamāra Kampāne - 9.43334% ; * Gints Feņuks - 7.01432% ; *Other shareholders - 11.08475%.
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:	01.01.2009. - 30.09.2009.
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 nine months of 2009

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, 2009.

Middle-term financial statements are prepared according to the approved International Standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of the middle-term financial statements have not been changed comparing to the previous reporting period. During preparation of the middle-term financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the middle-term management's report is true.

The Management Board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violation within the Company.

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

Gints Feņuks
Chairman of the Management Board



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2009	30.08.2008	30.09.2009	30.09.2008
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	76	81	108	115
Total intangible assets	76	81	108	115
Fixed Assets				
Land, buildings and other property	4 202 385	4 243 462	5 979 455	6 037 903
Equipment and machinery	5 091	15 561	7 244	22 141
Other fixed assets and inventory	10 276	13 553	14 621	19 284
Advance payments for fixed assets	15 575	107 947	22 160	153 595
Total fixed assets	4 233 326	4 380 523	6 023 480	6 232 923
Total long-term investments	4 233 402	4 380 604	6 023 588	6 233 038
Current assets				
Inventory				
Goods for sale				
Total inventory	0	0		0
Debtors				
Customers and client debts	56 265	62 258	80 058	88 585
Other debtors	31 788	21 515	45 230	30 613
Future period expenses	5 381	6 401	7 656	9 108
Subscribed but not paid-up amount of equity capital		338 852		482 143
Total debtors	93 434	429 026	132 945	610 449
Cash	13 511	64 360	19 224	91 576
Total Current assets	106 945	493 386	152 169	702 025
TOTAL ASSETS	4 340 347	4 873 990	6 175 757	6 935 063



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	2 281 921	2 766 969	3 246 881
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-901 554	-928 449	-1 282 796	-1 321 064
Retained earnings of the financial years	21 579	8 105	30 704	11 532
Total stockholder's equity	1 503 052	1 799 967	2 138 650	2 561 122
PROVISIONS				
Other provisions		7 701		10 958
Total provisions		7 701		10 958
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 354 208	2 492 507	3 349 736	3 546 518
Prepayments from buyers	65 623	33 814	93 373	48 113
Other liabilities	29 436	69 559	41 884	98 974
Deferred tax liability	149 078	185 813	212 119	264 388
Total long-term liabilities	2 598 345	2 781 693	3 697 112	3 957 993
Current liabilities				
Borrowings from credit institutions	122 451	159 905	174 232	227 524
Accounts payable	30 646	58 343	43 605	83 015
Taxes and social security payments	45 635	9 997	64 933	14 224
Other liabilities	36 759	41 683	52 303	59 310
Future period income	3 459	14 701	4 922	20 918
Total current liabilities	238 950	284 629	339 995	404 991
Total liabilities	2 837 295	3 066 322	4 037 107	4 362 983
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 340 347	4 873 990	6 175 757	6 935 063

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON SEPTEMBER
30.2009.**

		LVL 30.09.2009	LVL 30.09.2008	EUR 30.09.2009 - 0.702804	EUR 30.09.2008 - 0.702804
1	2	4	5	4	5
Net turnover		579 251	651 467	824 200	926 954
Cost of goods sold	1	-389 377	-389 994	-554 034	-554 912
Gross profit		189 874	261 473	270 166	372 042
Selling expenses					
Administrative expenses	2	-44 370	-58 150	-63 133	-82 740
Other income from operations	3	14 299	3 793	20 346	5 397
Other expenses from operations	4	-2 148	-3 062	-3 056	-4 357
Financial services income	5	142	12 801	202	18 214
Financial services expenses	6	-104 463	-131 743	-148 637	-187 453
Profit before taxes		53 334	85 112	75 888	121 103
Other taxes	7	-21 008	-21 862	-29 892	-31 107
Deferred tax		-10 747	-55 145	-15 292	-78 464
Net profit		21 579	8 105	30 704	11 532

Earnings per share (EPS) EPS
on 30.09.2009-0.0111 LVL-
0.0111 EUR

Earnings per share (EPS) EPS
on 30.09.2008-0.00417 LVL-
0.00593 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2009

	2009 30.09.	2008 30.09.	2009 30.09. EUR 0.702804	2008 30.09. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	53 334	85 112	75 888	121 103
<i>Adjustments:</i>				
fixed assets depreciation (+)	44 639	45 373	63 516	64 560
intangible assets depreciation (+)	4	4	6	6
increase/decrease in provisions	7 701	7 701	10 958	10 958
profit or losses from exchange rates fluctuation (+/-)	-7	-321	-10	-457
financial service income		-12 801		-18 214
<i>Profit or losses before adjustments from current assets and liabilities</i>	210 134	256 811	298 995	365 409
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	335 592	-259 238	477 504	-368 862
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-268 330	-178 139	-381 799	-253 469
common stock issued		452 031		643 149
<i>Gross cash provide by operating activities</i>	277 396	271 465	394 699	386 260
Payments for financial	-104 463	-131 743	-148 638	-187 453
Income tax payments	-21 008	-21 862	-29 862	-31 107
<i>Net cash provided by operating activities before outstanding items:</i>	151 925	117 860	216 170	167 700
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	151 925	117 860	216 170	167 700
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-48 040	-16 827	-68 355	-23 943
Interest received	142	12 801	202	18 214
Subscribed and paid-up amount of equite capital		113 161		161 014
Net cash used in investing activities :	104 027	226 995	148 017	322 985
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-122 451	-159 910	-174 232	-227 531
Payment LPA for long term buy out of land	-32 418	-37 242	-46 127	-52 991
Common stock issued				
Net cash provided by financing activities :	-50 842	29 843	-72 42	42 463
IV. Exchange rate fluctuation result :	-7	-321	-10	-457
Net cash flom	-50 849	29 522	-72 352	42 006
CASH AT BEGINNING OF YEAR	64 360	34 838	91 576	49 570
CASH AT END OF YEAR	13 511	64 360	19 224	91 576



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
SEPTEMBER 30, 2009**

	30.09.2009 LVL	30.09.2008 LVL	30.09.2009 EUR 0.702804	30.09.2008 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	2 281 921	1 829 908	3 246 881	2 603 724
Increase from		452 013		643 157
Decrease from	-337 284		-479 912	
Balance at the end of the financial year	1 944 637	2 281 921	2 766 969	3 246 881
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	-901 554	-928 449	-1 282 796	-1 321 064
Profit or losses of the financial year	21 579	8 105	30 704	11 532
Dividends				
Included in accumulations				
Balance at the end of the financial year	-879 975	- 920 344	-1 252 092	-1 309 532
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 799 967	1 278 268	2 561 122	1 818 812
Balance at the end of the financial year	1 503 052	1 799 967	2 138 650	2 561 122



**Annex of the annual report of nine
months of 2009**

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 2008 are classified by principles of 2009 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 3 889 803 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 233 326 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 09 months starting from 01.01.2009. till 30.09.2009.

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.

Future revenues

Future revenues of next periods are written-off according to depreciation rate of financial assets – 20% per annum.

Future revenues of next periods from value differences between purchase value of privatization certificates and their nominal valuation are depreciated in 5 years.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first nine months of 2009 from its core business-service provision without VAT

Type of commercial operations	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	89 703	111 369	127 636	158 464
water supply and sewage services	2 530	9 224	3 599	13 125
office renting service	372 119	416 879	529 478	593 165
utility services	114 899	113 995	163 487	162 200
Total	579 251	651 467	824 200	926 954

Distribution of net turnover by geographical markets

Country	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
Latvia	579 251	651 467	824 200	926 954
Total	579 251	651 467	824 200	926 954

(2) Cost of sales

	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
personnel	66 392	67 610	94 467	96 200
depreciation	44 639	45 373	63 516	64 560
transport	7 095	6 148	10 095	8 748
other outstanding costs	147 213	155 809	209 465	221 696
personnel training	310	127	441	181
telecommunication service	988	1 302	1 406	1 853
other costs tied to commercial operations	79 102	37 571	112 552	53 459
insurance (buildings)	4 061	3 260	5 778	4 639
maintenance of buildings 1 and 1a	30 902	55 448	43 970	78 895
land rent to LPA	8 671	17 342	12 338	24 675
depreciation of license	4	4	6	6
Total	389 377	389 994	554 034	554 912



(3) Costs of administration	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
personnel	32 673	41 800	46 489	59 476
telecommunication service	988	1 302	1 406	1 853
office supplies	826	1 043	1 175	1 484
cash turnover expenses	234	155	333	221
transport expenses for administrative needs	7 095	6 147	10 095	8 746
representative expenses	79	150	113	213
legal assistance or raid	600	2 553	854	3 633
RFB annual fee	1 875	5 000	2 668	7 114
Total	44 370	58 150	63 133	82 740

(4) Other revenues from commercial operation	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 955	1 172	2 782	1 668
1/5 of revenue from writing-off PS				
purchase	3 232	808	4 599	1 150
1/5 from financial support given for Gold equipment	7 145	1 786	10 166	2 541
other revenues	850		1 209	
insurance recompense	1 069		1 521	
revenues from changes in currency rates	48	27	69	38
Total	14 299	3 793	20 346	5 397

(5) Other costs of commercial operations	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
losses from changes in currency rates	55	348	79	495
40% of representative costs	53	100	75	142
donations to Latvian orphans fund	553	300	786	427
allowances and bonuses	1 220	2 209	1 736	3 143
fines	267	105	380	149
Total	2 148	3 062	3 056	4 357



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

	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
interest from balances of accounts	142	12 801	202	18 213
Total	142	12 801	202	18 213

(7) **Payments of interest and similar expenses**

	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
credit interests	99 276	125 863	141 257	179 087
interest to LPA for long term buy-out of land	5 187	5 880	7 380	8 366
Total	104 463	131 743	148 637	187 453

(8) **Other taxes**

	2009.09.30	2008.09.30	2009.09.30	2008.09.30
	LVL	LVL	EUR	EUR
real estate tax (buildings,land)	21 008	21 862	29 892	31 107
Total	21 008	21 862	29 892	31 107