



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, 2010



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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 2010

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, 2010.

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 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 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. 2010 ; *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377 % ; *Komunikāciju Centrs” SIA – 21.92579 % ; *State Social Insurance Agency - 5.01801 % ; * Tamāra Kampāne - 9.55576 % ; * Gints Feņuks - 7.01432 % ; *Other shareholders - 10.96235 % .
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:	01.01.2010. - 31.03.2010.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

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

² The company`s capital consists of the 623 528 bearer shares and 1 321 109 registrered shares
Nominal value of a common share is 1 LVL (one Latvian lat).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	338	78	481	111
Total intangible assets	338	78	481	111
Fixed Assets				
Land, buildings and other property	4 181 865	4 222 924	5 950 258	6 008 680
Equipment and machinery		10 326		14 693
Other fixed assets and inventory	13 287	14 241	18 906	20 263
Advance payments for fixed assets		46 726		66 484
Total fixed assets	4 195 152	4 294 217	5 969 164	6 110 120
Total long-term investments	4 195 490	4 294 295	5 969 645	6 110 231
Current assets				
Inventory				
Goods for sale	221		314	
Total inventory	221	0	314	0
Debtors				
Customers and client debts	56 490	80 888	80 378	115 093
Other debtors	13 864	53 739	19 727	76 464
Future period				
Future period expenses	3 457	4 490	4 919	6 389
Subscribed but not paid-up amount of equity capital		337 785		480 624
Total debtors	73 811	476 902	105 024	678 570
Cash	6 911	9 036	9 833	12 857
Total Current assets	80 943	485 938	115 171	691 427
TOTAL ASSETS	4 276 433	4 780 233	6 084 816	6 801 658



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	2 281 922	2 766 969	3 246 882
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-883 184	-901 554	-1 256 658	-1 282 796
Retained earnings of the financial years	15 941	19 696	22 682	28 025
Total stockholder's equity	1 515 784	1 838 453	2 156 766	2 615 883
PROVISIONS				
Other provisions	7 522	10 168	10 703	14 468
Total provisions	7 522	10 168	10 763	14 468
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 388 695	2 492 507	3 398 807	3 546 518
Prepayments from buyers	33 766	66 232	48 045	94 240
Other liabilities	27 705	69 444	39 421	98 810
Deferred tax liability	144 309	140 291	205 333	199 616
Total long-term liabilities	2 594 475	2 768 474	3 691 605	3 939 184
Current liabilities				
Borrowings from credit institutions	23 866	53 302	33 958	75 842
Accounts payable	34 781	54 941	49 489	78 174
Taxes and social security payments	50 522	26 440	71 886	37 621
Other liabilities	16 915	18 078	24 068	25 723
Future period income		10 377		14 764
Prepayments from buyers	32 568		46 340	
Total current liabilities	158 652	163 138	225 741	232 124
Total liabilities	2 760 649	2 941 780	3 928 050	4 185 775
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 276 433	4 780 233	6 084 816	6 801 658

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON MARCH
31.2009.**

		LVL 31.03.2010	LVL 31.03.2009	EUR 31.03.2010 0.702804	-	EUR 31.03.2009 0.702804	-
1	2	4	5	4		5	
Net turnover		207 779	228 133	295 643		324 604	
Cost of goods sold	1	-131 394	-150 996	-186 957		-214 848	
Gross profit		76 835	77 137			109 756	
Selling expenses							
Administrative expenses	2	-13 974	-17 483	-19 883		-24 876	
Other income from operations	3	1 623	3 750	2 309		5 336	
Other expenses from operations	4	-9 303	-307	-13 237		-437	
Financial services income	5	3	138	4		196	
Financial services expenses	6	-31 239	-34 599	-44 449		-49 230	
Profit before taxes		23 495	28 636	33 430		40 745	
Other taxes	7	-4 990	-6 980	-7 100		-9 932	
Deferred tax		-2 564	-1 960	-3 648		-2 789	
Net profit		15 941	19 696	22 682		28 025	
Earnings per share (EPS)							
EPS on 31.03.2010-0.00820							
LVL- 0.01117 EUR							

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON MARCH 31, 2010

	2010 31.03.	2009 31.03.	2010 31.03. EUR 0.702804	2009 31.03. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	23 495	28 636	33 430	40 745
<i>Adjustments:</i>				
fixed assets depreciation (+)	14 682	14 900	20 891	21 201
intangible assets depreciation (+)	16	1	23	1
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	116	1	165	1
financial service income	3	138	4	196
financial services income	31 239	33 233	44 449	47 286
<i>Profit or losses before adjustments from current assets and liabilities</i>	69 551	76 909	98 962	109 432
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	403 091	-384 880	573 547	-547 635
inventory: increase (-); decrease (+)	221		315	
liabilities: increase (-); decrease (+)	-419 770	126 076	-597 279	179 390
<i>Gross cash provide by operating activities</i>	53 093	-181 895	75 545	-258 813
Payments for financial	-31 239	-33 233	-44 449	-47 286
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	21 854	-215 128	31 095	-306 100
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	21 854	-215 128	31 095	-306 100
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase				
Interest received	3	138	4	196
Net cash used in investing activities :	3	138	4	196
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-23 866	-53 302	-33 958	-76 127
Subscribed and paid-up amount of equite capital.		114 728		163 243
Net cash provided by financing activities :	-23 866	61 426	-33 958	87 401
IV. Exchange rate fluctuation result :	-116	1	-165	1
Net cash flom	-2 125	-153 563	-3 025	218 500
CASH AT BEGINNING OF YEAR	9 036	162 599	12 858	231 358
CASH AT END OF YEAR	6 911	9 036	9 833	12 858

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
MARCH 31, 2010**

	31.03.2010 LVL	31.03.2009 LVL	31.03.2010 EUR 0.702804	31.03.2009 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	2 281 922	1 829 908	3 246 882	2 603 724
Increase from		452 014		643 158
Decrease from	337 285		479 913	
Balance at the end of the financial year	1 944 637	2 281 922	2 766 969	3 246 882
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	-883 184	-901 554	-1 256 658	- 1 282 796
Profit or losses of the financial year	15 941	19 696	22 682	28 025
Dividends				
Included in accumulations				
Balance at the end of the financial year	-867 243	- 881 858	-1 233 976	- 1 254 771
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 838 453	1 353 672	2 615 883	2 587 858
Balance at the end of the financial year	1 515 784	1 838 453	2 156 766	2 615 883



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON MARCH 31, 2010**

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 01.01.2010 to 31.03.2010.

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 2 412 561 LVL (3 432 765 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	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	33 861	36 517	48 180	51 959
water supply and sewage services	126	1 695	179	2 412
office renting service	111 358	133 166	158 448	189 478
utility services	49 588	56 755	70 557	80 755
black and nonferrous metal scrap and scrap purchase	12 846		18 279	
Total	207 779	228 133	295 643	324 604

Distribution of net turnover by geographical markets

Country	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
Latvia	202 751	228 133	288 489	324 604
Estonia	5 028		7 154	324 604
Total	207 779	228 133	295 643	324 604

(2) Cost of sales

	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
personnel	19 149	21 033	27 247	29 927
depreciation	14 698	14 900	20 914	21 201
transport	1 886	2 629	2 684	3 741
other outstanding costs	59 787	82 426	85 069	117 282
personnel training	90	90	128	128
telecommunication service	183	314	260	447
other costs tied to commercial operations	10 759	9 179	15 309	13 061
insurance (buildings)	918	1 281	1 306	1 823
maintenance of buildings 1 and 1a	9 707	14 807	13 812	21 068
land rent to LPA	3 617	4 336	5 146	6 120
costs for the purchase and delivery of goods	10 524		14 974	
other cost	76		108	
Total	131 394	150 996	186 957	214 848



(3) Costs of administration	2010.03.31	2008.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
personnel	9 307	12 957	13 243	18 436
telecommunication service	183	314	260	447
office supplies	93	429	132	610
cash turnover expenses		75		107
transport expenses for administrative needs	1 886	2 629	2 684	3 741
representative expenses	5	18	7	26
legal assistance or raid		436		620
RFB annual fee	2 500	625	3 557	889
audit cost				
Total	13 974	17 483	19 883	24 876

(4) Other revenues from commercial operation	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
finances	1 202	290	1 710	413
1/5 of revenue from writing-off PS purchase		1 078		1 534
1/5 from financial support given for Gold equipment		2 381		3 388
other revenues	305		434	
insurance recompense				
revenues from changes in currency rates	116	1	165	1
Total	1 623	3 750	2 309	5 336

(5) Other costs of commercial operations	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
60% of representative costs	8	12	11	17
donations to Latvian orphans fund				
allowances and bonuses	245	175	349 223	249
finances	157	120		171
provisions for bad debtors	8 893			
Total	9 303	307	13 237	437



Other revenues from interests or similar sources				
(6)	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
interest from balances of accounts	3	138	4	196
Total	3	138	4	196
Payments of interest and similar expenses				
(7)	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
credit interests	30 777	33 233	43 792	47 286
interest to LPA for long term buy-out of land	462	1 366	657	1 944
Total	31 239	34 599	44 449	49 230
Other taxes				
(8)	2010.03.31	2009.03.31	2010.03.31	2009.03.31
	LVL	LVL	EUR	EUR
real estate tax (buildings ,land)	4 990	6 980	7 100	9 932
Total	4 990	6 980	7 100	9 932