

INDEPENDENT AUDITOR'S REPORT

To the shareholders of JSC "VEF Radiotehnika RRR"

Report on the Financial Statements

We have audited the financial statements incorporated in the annual report of JSC "VEF Radiotehnika RRR", registration No 40003286712, for the year 2011, which are presented on pages 7 to 27. The audited financial statements comprise the balance sheet as at December 31, 2011, and the income statement, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The stock in the balance sheet as at December 31, 2011 comprises raw materials and equipment not usable in the production process in amount of LVL 168 000 that should be amortized, as well as advance payments for goods in amount of LVL 25 700 are outstanding for a long term.

The accounts receivable comprise receivables in amount of LVL 226 300 recovery of which in our opinion is doubtful and which are not impaired.

Deferred tax asset in amount of LVL 17 328 is included in accounts receivable which according to the principle of due caution should not be recognized in the balance sheet since in our opinion the Company will be unable to use the tax losses included in the deferred tax asset.

Making the above mentioned corrections, the retained earnings and the current year's profit of the Company as well as the equity as of December 31, 2011 would diminish by LVL 437 328.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of JSC „VEF Radiotehnika RRR” as at December 31, 2011, and its financial performance and its cash flows for the year 2011, in accordance with International Financial Reporting Standards as adopted by the European Union.

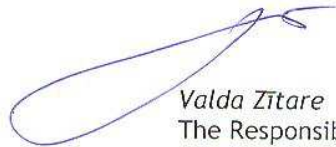
Report on Other Legal and Regulatory Requirements

We have familiarised ourselves with the management report for the year 2011, which is presented on pages 4 to 5, and have not identified any material discrepancies between the financial information presented in the management report and the financial statements for the year 2011.

JSC “BDO”
A Company of Certified Auditors
Licence No 112



Aivars Putniņš
Member of the Board
The Responsible Certified Auditor
Certificate No. 123



Valda Zitare
The Responsible Certified Auditor
Certificate No. 62

Riga, Latvia,
May 11, 2012