

INDEPENDENT AUDITORS' REPORT
Translation from Latvian

To the Shareholders of AS VEF Radiotehnika RRR

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of AS VEF Radiotehnika RRR set out on pages 7 to 28 of the accompanying annual report, which comprise the balance sheet as of 31 December 2013 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia On Annual Reports, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1. As at 31 December 2013 the Company's balance sheet contains fixed assets and investment properties with carrying value of 5 446 thousand lats and related non-current asset revaluation reserve of 2 496 thousand lats. Gross and net loss for the reporting year, as well as the fact that the Company's real estate disposal price was considerably below the carrying value of the real estate in 2013 demonstrate that significant indicators of impairment of non-current investments exist. The management of the Company has not performed impairment test on its non-current assets. During our audit we were not able to obtain sufficient and reliable information, which would allow us to determine impairment to be recognised by the Company and its impact on value of non-current assets, non-current assets revaluation reserve and year 2013 net result.
2. The Company's net turnover for the reporting year has decreased by 17% and its financial performance result is gross and net loss. Net loss represents 48% of the net turnover. As at 31 December 2013 the Company has no free cash and its current liabilities, including liabilities towards credit institution, considerably, by 2 189 thousand lats, exceed its current assets. As a result of delayed tax payments, in March 2014 the State Revenue Service cancelled tax support activities, therefore all tax debts of the Company became current and all the related penalties and delay payments were renewed. We consider that a significant uncertainty exists on whether the Company will be able to resolve its liquidity issues that may cast significant doubt on the Company's ability to continue as a going concern. During our audit we were not able to obtain sufficient and reliable information, which would allow us to conclude, whether it was appropriate to use going concern assumption in the preparation of the Company's financial statements for the year ended 31 December 2013.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on AS VEF Radiotehnika RRR financial statements for the year ended 31 December 2013.

INDEPENDENT AUDITORS' REPORT (continued)
Translation from Latvian

To the Shareholders of AS VEF Radiotehnika RRR

Report on Other Legal and Regulatory Requirements

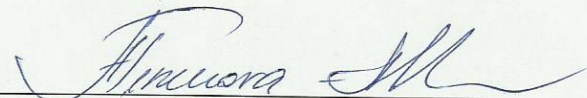
We have read the management report for 2013 set out on pages 4 to 5 of the accompanying annual report for 2013 and have not identified material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2013.

On behalf of
SIA Potapoviča un Andersone,
Certified Auditors Company licence No. 99



Kristīne Potapoviča
Chairperson of the Board

18 July 2014, Riga



Anna Temerova – Allena
Responsible Certified Auditor
Certificate Nr. 154