

AS "VEF Radiotehnika RRR"

Unified Registration No. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

**AS “VEF Radiotehnika RRR”
Annual accounts for the year ended 30 June 2018**

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AS "VEF Radiotehnika RRR"
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GENERAL INFORMATION

| | |
|--|---|
| Full name of the Company | <i>AS "VEF Radiotehnika RRR"</i> |
| Legal status of the Company | <i>Public Joint-Stock Company</i> |
| Registration No., place and date of issue | <i>40003286712 1998.12.11</i> |
| Legal address of the Company | <i>Kurzemes prospekts 3, Riga, LV-1067</i> |
| Phone number | <i>67418087</i> |
| NACE code | <i>26.40 Manufacture of electronic devices 68.20 Real estate management with remuneration or based on agreements</i> |
| Council members | |
| Chairman of the Council | <i>Eduards Maļejevs</i> |
| Member of the Council | <i>Inārs Kļaviņš</i> |
| Member of the Council | <i>Martiņš Perts</i> |
| Member of the Council | <i>Genādijs Hotejevs</i> |
| Member of the Council | <i>Vjačeslavs Mihailovins</i> |
| Board members | |
| Chairman of the Board | <i>Ēriks Ertmanis</i> |
| Member of the Board | <i>Olga Romaņko</i> |
| Reporting year | <i>from 2018.01.01 till 2018.06.30</i> |
| Previous reporting year | <i>from 2017.01.01 till 2017.12.31</i> |
| Chief Accountant | <i>Olga Romaņko</i> |
| Phone number | <i>67852054</i> |
| Auditor | <i>SIA Grant Thornton Baltic Certified Auditors Company License No. 155 Blaumana Street 22, Riga, LV-1011</i> |
| | <i>Responsible certified auditor: Ingrida Latimira Certificate No. 47</i> |

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Management report

Types of activi

The main activities of AS "VEF Radiotehnika RRR" in 2018 were:

1. Real estate renting services;
2. Manufacturing of acoustic systems; purchase and sale of their enclosures.

When compared with the previous reporting period, no new main activities have been included.

In the future ,it is planned to restore acoustic systems development, organization of production and sales.

Operations of the Company during the reporting year

Reporting year results of the Company are the following:

| | |
|--|-------------|
| Result before extraordinary items and taxes: | 118 916 EUR |
| Net result: | 118 916 EUR |

In 2018, the Company delivered its products and services for its customers abroad, incl. Hungary, Italy, Russia, Estonia , the respective markets development activities are implemented by our highly-skilled sales and distribution specialists.

Thus, the management of the Company considers that it is appropriate to design its Financial Statement for 2018 on an ongoing concern basis.

Management of financial risks

In most cases, the company`s financial assets consist of debts of its buyers and customers, given in euros. Its financial liabilities mostly consist of debts to the Company`s suppliers for goods and services, given in various currencies, thus the Company is subject to the currency risk. Funds of the Company are placed in the Latvian financial institutions. There is no substantial difference between the book value and the fair value of the financial assets and liabilities. The Company did not use any financial derivatives in the reporting period.

Post balance sheet events

On 9 January 2018, the extraordinary meeting of shareholders of AS "VEF Radiotehnika RRR" decided to reduce the equity capital of the Company, the meeting also approved the rules for equity capital reduction and the amendments to the Articles of Association of the Company by specifying the reduced equity capital. The equity capital of the Company is reduced by EUR 3,313,809.20. The equity capital is reduced in accordance with Section 262, Paragraph one, Clause 3 of Commercial Law-by reducing the nominal value of stock of the Company. Following the reduction, the Company`s equity is EUR 254,908.40.

Apart from the above information, no other events have occurred since the date of the reporting year which could considerably affect the report assessment or which would require additional explanation in this financial statement.

Chairman of the Board

Ēriks Ertmanis

Member of the Board

Olga Romāņko

August 21, 2018

**AS “VEF Radiotehnika RRR”
Annual accounts for the year ended 30 June 2018**

Statement of the management's responsibility

Company's management is responsible for the preparation of the financial statements for each reporting period on the basis of the accounting principles and which reflect true and fair view of the company's financial situation as well as operating results.

The management confirms that in the preparation of the annual report for the period ended 30 June 2018, appropriate accounting principles were consistently applied and justified and prudent decisions were made.

Management is responsible for application of appropriate accounting principles, safeguarding of the company's assets as well as prevention of fraud and other unlawful activities.

The management of the Company confirms, that is has provided information and explanations required for the audit.

Chairman of the Board

Ēriks Ertmanis

Member of the Board

Olga Romāņko

August 21, 2018

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Profit or loss account for the year ended 30 June 2018

| | Notes | 2018 EUR | 2017 EUR |
|--|-------|----------------|------------------|
| Net sales | 1 | 172 290 | 788 941 |
| b) other operating activities | | 172 290 | 788 941 |
| Cost of sales | 2 | (165 144) | (674 186) |
| Gross loss | | 7 146 | 114 755 |
| Selling expenses | 3 | (2 917) | (22 897) |
| Administrative expenses | 4 | (31 543) | (64 020) |
| Other operating income | 5 | 150 297 | 1 342 987 |
| Other operating expenses | 6 | (3 981) | (145 761) |
| Interest expenses and similar expenses | 7 | (86) | (114) |
| Profit before taxes | | 118 916 | 1 224 950 |
| Current year's profit / (loss) | | 118 916 | 1 224 950 |
| Profit/ (loss) per share | | 0,047 | 0,481 |

Notes on pages from 11 to 18 are integral part of these financial statements.

Chairman of the Board

Ēriks Ertmanis

Member of the Board/Chief Accountant

Olga Romaņko

August 21, 2018

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Balance sheet as at 30.06.2018

| ASSETS | Note | 2018 | 2017 |
|---|-----------|------------------|------------------|
| | | EUR | EUR |
| I. Non-current assets | | | |
| II. Fixed assets: | | | |
| I. Real estate renting services | | | |
| Land, buildings and constructions | | 262 553 | 266 902 |
| Equipment and vehicles | | 375 923 | 208 368 |
| Other fixed assets | | 21 177 | 21 818 |
| Total fixed assets: | 8 | 659 653 | 418 840 |
| Total long-term financial investments: | | 659 653 | 418 840 |
| 2. Current assets | | | |
| I. Inventory: | | | |
| Raw materials | 9 | 25 546 | 35 078 |
| Work in progress | 10 | 14 723 | 14 870 |
| Finished goods and goods for sale | 10 | 42 038 | 14 003 |
| Advance payments for materials | 11 | 12 472 | 16 078 |
| Total inventory: | | 94 779 | 80 659 |
| III. Receivables: | | | |
| Trade receivables | 12 | 55 333 | 157 476 |
| Receivables from related parties | 13 | 309 160 | 320 927 |
| Other receivables | 14 | 14 060 | 7 878 |
| Prepaid expenses | 15 | 1 063 | 429 |
| Total receivables: | | 379 616 | 486 710 |
| V. Cash | 16 | 7 688 | 5 351 |
| Total current assets: | | 482 083 | 572 720 |
| TOTAL ASSETS: | | 1 141 736 | 1 069 808 |

Notes on pages from 11 to 20 are integral part of these financial statements.

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Balance sheet as at 30.06.2018

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | 2018 | 2017 |
|--|-------------|------------------|------------------|
| | | EUR | EUR |
| 1. Shareholders' equity: | | | |
| Share capital | 17 | 254 908 | 3 568 718 |
| Long term investment revaluation reserve | 19 | 160 202 | 160 202 |
| Reserves | | 58 302 | 58 302 |
| Retained earnings/ (accumulated loss): | | | |
| a) accumulated loss of previous years | 18 | 68 326 | (4 470 434) |
| b) current year profit/ (loss) | 18 | 118 916 | 1 224 950 |
| Total shareholders' equity: | | 660 654 | 541 738 |
| 3. Liabilities: | | | |
| I. Non-current liabilities: | | | |
| Trade accounts payable | 22 | - | 47 206 |
| Taxes and social security liabilities | 24 | 18 868 | 18 868 |
| Total non-current liabilities: | | 18 868 | 66 074 |
| II. Current liabilities: | | | |
| Loans from other creditors | 20 | 5 584 | 6 029 |
| Advances from customers | 21 | 1 704 | 1 507 |
| Trade accounts payable | 22 | 378 366 | 208 008 |
| Payables to related parties | 23 | 27 479 | 163 931 |
| Taxes and social security liabilities | 24 | 22 023 | 35 048 |
| Other creditors | 25 | 13 448 | 20 522 |
| Accrued liabilities | 26 | 13 610 | 26 951 |
| Total current liabilities: | | 462 214 | 461 996 |
| Total liabilities: | | 481 082 | 528 070 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY: | | 1 141 736 | 1 069 808 |

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Chairman of the Board

Ēriks Ertmanis

Member of the Board/Chief Accountant

Olga Romaņko

August 21, 2018

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Cash flow statement for the year ended 30 June 2018 (indirect method)

| I. Cash flow from operating activities | Note | <u>2018</u> | <u>2017</u> |
|--|-----------|----------------------------|----------------------------|
| | | <u>EUR</u> | <u>EUR</u> |
| <i>Loss before extraordinary items and taxes</i> | | <u>118 916</u> | <u>1 224 950</u> |
| <i>Adjustments for:</i> | | | |
| a) depreciation of fixed assets and investment properties | | 43 336 | 80 725 |
| h) profit/loss from sale of fixed assets | | (148 307) | (3 352) |
| i) interest payments and similar activities | | 86 | 114 |
| <i>Loss before working capital and current liabilities adjustments</i> | | <u>14 031</u> | <u>1 302 437</u> |
| <i>Adjustments for:</i> | | | |
| a) debtors increase (-) or decrease (+) | | 62 143 | (89 506) |
| b) inventory increase (-) or decrease (+) | | (14 120) | 22 423 |
| c) accounts payable to suppliers and other creditors increase (+) or decrease (-) | | 69 341 | (1 132 470) |
| <i>Gross cash flow from operating activities</i> | | <u>131 395</u> | <u>102 884</u> |
| Interest payments | | (86) | (114) |
| Real estate tax payments | | | (34 176) |
| <i>Cash flow before extraordinary items</i> | | <u>131 309</u> | <u>(68 594)</u> |
| <i>Net cash flow from operating activity</i> | | <u>131 309</u> | <u>(68 594)</u> |
| | | | |
| II. Cash flow from investing activities | | | |
| Acquisition of fixed assets and intangibles | | (208 850) | (71 818) |
| Proceeds from disposal of fixed assets and intangibles | | 216 330 | 15 750 |
| Net cash flow from investing activities | | <u>7 480</u> | <u>(56 068)</u> |
| | | | |
| III. Cash flow from financing activities | | | |
| Loans repaid | | (136 452) | (7 568) |
| Net cash flow from financing activities | | <u>(136 452)</u> | <u>(7 568)</u> |
| | | | |
| V. Net cash flow for the year | | <u>2 337</u> | <u>4 958</u> |
| VI. Cash and cash equivalents at the beginning of the period | | <u>5 351</u> | <u>393</u> |
| VII. Cash and cash equivalents at the end of the period | 16 | <u><u>7 688</u></u> | <u><u>5 351</u></u> |

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Chairman of the Board

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August 21, 2018

AS “VEF Radiotehnika RRR”
Annual accounts for the year ended 30 June 2018

Statement of changes in equity for the year ended 30 June 2018

| | Share capital | Reserve | Long term investment revaluation reserve | Result of the reporting year | Previous year's retained earnings/ (accumulated loss) | Total shareholders' equity |
|--|------------------|---------------|--|------------------------------|---|----------------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Balance as on December 31, 2016 | 3 568 718 | 58 302 | 60 649 | (1 004 681) | (3 465 753) | (782 765) |
| Loss carried over | - | | - | 1 004 681 | (1 004 681) | - |
| Current year profit/(loss) | - | | - | 1 224 950 | - | 1 224 950 |
| Change in revaluation reserve | - | | 99 553 | | - | 99 553 |
| Balance as on December 31, 2017 | 3 568 718 | 58 302 | 160 202 | 1 224 950 | (4 470 434) | 541 738 |
| Loss carried over | | | - | (1 224 950) | 1 224 950 | - |
| Change in share capital | (3 313 810) | | | | 3 313 810 | - |
| Profit for the year | - | | - | 118 916 | - | 118 916 |
| Balance as on June 30, 2018 | 254 908 | 58 302 | 160 202 | 118 916 | 68 326 | 660 654 |

Notes on pages from 11 to 18 are integral part of these financial statements.

Chairman of the Board

Ēriks Ertmanis

Member of the Board / Chief Accountant

Olga Romāņko

August 21, 2018

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

Notes

Accounting policies and methods

General Principles

The Annual Report is prepared in accordance with the corresponding laws of the Republic of Latvia - "Law On Accounting" and "Law on Annual Reports", the Cabinet Regulation No 488 "Application of Law on Annual Reports" the Cabinet Regulation No 481 "Contents and procedure for the preparation of the cash flow report and report of changes in shareholders' equity".

Profit and loss statement is prepared using turnover (period) costs method.

Cash flow statement is prepared using indirect method.

Changes to the accounting policies

Compared to the previous year, the accounting policy has not been changed.

Reclassifications

In 2018 there have been no changes in classification of items in comparison with the 2017.

Transactions in foreign currency

At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

Currency rates at the last reporting date for the past two years have been the following:

| | 2018.06.30 | 2017.12.31 |
|-----|------------|------------|
| RUB | 73,1582 | 69.392 |
| USD | 1,1658 | 1,1993 |

Long-term and short-term items

The following amount are shown in the current assets:

- * that shall be used or realized during the usual working cycle of the Company;
- * that are mainly for trading purposes or are of short-term nature and can be realized within 12 months after the Balance Sheet date;
- * that are cash or cash equivalents, possessing unlimited usage options.

Other assets are classified as long-term.

The following current liabilities are shown:

- * that will be paid off during the usual working cycle of the Company;
 - * that will be paid off within 12 months after the Balance Sheet date;
- Other liabilities are classified as long-term.

Fixed Assets

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 70 EUR and more. All fixed assets are valued by their acquisition value.

Fixed assets are shown using their acquisition or revaluations value, less depreciation. Depreciation is calculated using the straight-line method, reducing the net book value of the asset at the end of useful life using the following rates:

| | | |
|--|-------|---|
| * Buildings and constructions | 1-5 | % |
| * Technological equipment | 5-20 | % |
| * Transport vehicles | 10-20 | % |
| * Furniture | 10-20 | % |
| * Other fixed assets | 10-20 | % |
| * Mobile phones | 35 | % |
| * Computers and other data storage units | 15-35 | % |

* Depreciation on land plots is not calculated.

Fixed assets depreciation are calculated from acquisition costs less residual value. If the residual value is immaterial, it is not considered. Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

Interest costs on borrowing to finance the fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalized, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Investment property

Investment property is land, buildings, parts of buildings and constructions that the Company (as an owner or lessee in finance lease agreement) holds with the intention to gain rental (lease) income or gain increase in value of the investment by means of market value increase of the asset. The property is not utilized for production purposes. Service provision, administrative needs or other ordinary business activities of the company. Investment properties are initially recognized at acquisition cost, including transaction costs. After initial recognition investment properties are valued at revalued amounts (please see fixed assets recognition and depreciation accounting policy). Investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Inventory valuation

Inventories are valued using FIFO method.

In case of necessity, outdated, slow turnover or damaged inventories' values decrease is written-off, or provisions are made. Unused material values and stocks at the end of reporting period are valued on historic cost basis, with addition of additional costs.

Inventory items are recorded in the actual volumes at historical cost in the sub account specially dedicated for these purposes.

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Annual accounts for the year ended 30 June 2018

Inventory balances are checked during annual inventory.

Debtors

Accounts receivables are shown in the Balance Sheet on a net (purchase) value, with special provisions for doubtful debts subtracted. The necessary amount of provisions has been set by analyzing each debtor and by performing debt comparison. Bad debts are written off when the likelihood of recovering the debt becomes unrealistic and impossible.

Net turnover

Turnover is the total of goods sold during the year less Value Added Tax.

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from sale of goods outside Latvia is recognized based on the terms of delivery.

Income and expenses acknowledgement

1. Income from sale of goods is recognized when the transaction complies with the following requirements:

- a) The Company has handed over to the buyer distinctive risks and rewards together with ownership rights of the goods;
- b) The Company no longer executes holding rights or control related to the ownership rights over the goods sold;
- c) can credibly evaluate the income amount;
- d) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- e) can credibly evaluate costs arisen or arising related to the transaction.

Sale of goods is reflected, considering transaction's economic nature, not only legal form.

2. Result of the service supply transaction can credibly calculate, if the following conditions are met:

- a) can credibly evaluate the income amount;
- b) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- c) can credibly evaluate, what is service supply volume in percentage at the Balance Sheet date;
- d) can credibly evaluate costs arisen or arising related to the transaction.

3. Incomes which arise if other parties use Company's assets and thus receive interest, royalties or dividends, can be recognized using the following methods, if:

- a) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- b) can credibly evaluate the income amount;

4. Incomes from rent - at the moment of coming into existence;

All significant cost items are processed per accumulation principle.

Reserves

Reserves are formed in order to cover certain liabilities, which are related to the reporting period or previous periods, can be foreseen at the time of preparation of the Annual Report or known not to exceed these amounts. The level of the reserves is set in accordance with the methods, adopted by the Company.

Provisions for unused vacations

Amount of the provisions is calculated by multiplying the average wage of employees in the last six months per day by the amount of accrued but unused annual leave at the end of the reporting year.

Loans received and loans issued

Loans received and loans issued are initially shown in their original amount, which is stated in corresponding Loan Agreement at the transaction date. Amounts of loans issued from the lending institutions are to be compared with the written statements with acceptance from lending institutions at the end of the reporting year. For loans received in foreign currency, the remaining principal amount is calculated per European Central bank exchange rate on the last day of the reporting year.

Deferred liabilities

All invoices, received or issues after the reporting year yet related to the expenses which have arisen during the reporting year, the costs of which are known at the end of the reporting year, are treated as deferred liabilities. Deferred liabilities are shown in the Balance Sheet in a separate row.

Taxes

In the reporting year, the corporate income tax is calculated pursuant to the requirements under the Law "On Corporate Income Tax" in relation to the taxable income; thus, the applicable tax rate is 15%.

Starting from 2018, the corporate income tax will be calculated for distributed profit by applying a tax rate of 20%. The corporate income tax will be accepted at the time when the shareholders of the Company adopt their decision on profit distribution or when such expenses are further development of the Company (deemed profit distribution).

Tax liabilities are compared with State Revenue Service data.

Estimates and assumptions

The preparation of annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Thus actual results may differ from these calculations. Legislation of the Republic of Latvia states that when preparing annual accounts, Company's management has to evaluate and to draft assumptions, which affect both Balance Sheet and off-Balance Sheet assets and liabilities on the Balance Sheet date, as well as shown income and expenses for the reporting period. Actual results may differ from these estimates (for example, deferred Corporate Income Tax liabilities, vacation provisions etc.).

Possible liabilities and assets

In these Financial Statements possible liabilities are not displayed but are reflected in the Notes to Financial Statements. As liabilities are recognized only when, if possibility that the funds will be paid out becomes founded. Possible assets in these Financial Statements are not recognized. Possible assets are shown in the Financial Statements only when there is enough proof that the economic benefits will reach the company.

Events after the end of the reporting year

Certain events which give additional information about Company's financial standing at the Balance Sheet date (correcting factors) have been considered during the preparation of the Financial Statements. If post Balance Sheet date events are not correcting factors, they are included in the Financial Statements only if they are substantial.

Related parties

The following sides are treated as "related parties": shareholders of the Company, Board Members, their close family members and companies which are under control or significant influence to the aforementioned related parties.

AS “VEF Radiotehnika RRR”
Annual accounts for the year ended 30 June 2018

(1) Net Turnover

| Type of activity | 2018 | 2017 |
|---|----------------|----------------|
| | EUR | EUR |
| Income from exports of finished goods | 5 374 | 78 095 |
| Income from rent of premises | 862 | 995 |
| Income from sale of finished goods in the local market | 14 084 | 82 361 |
| Income from utilities service provided to third parties | 92 470 | 586 682 |
| Income from sale of materials | 59 500 | 40 808 |
| Total | 172 290 | 788 941 |

| (2) Cost of goods sold | 2018 | 2017 |
|--|----------------|------------------|
| Cost type | EUR | EUR |
| Personnel costs | 1 777 | 30 657 |
| Depreciation of fixed assets | 25 173 | 43 511 |
| Depreciation of fixed assets (project 124000075) | 18 163 | 37 214 |
| Write-off of low-value inventory | 226 | 226 |
| Change in stocks of finished goods | (3 628) | (82 679) |
| Change in stock of purchased materials and goods | 33 996 | 219 638 |
| Ongoing maintenance and repair | 1 558 | 26 701 |
| Real estate maintenance, including utilities | 84 350 | 392 343 |
| Other taxes | 2 464 | 4 928 |
| Other costs | 1 065 | 1 647 |
| Total | 165 144 | 1 088 940 |

| (3) Selling expenses | 2018 | 2017 |
|------------------------------------|--------------|---------------|
| Cost type | EUR | EUR |
| Goods' transportation costs | 932 | 8 459 |
| Commissions paid | 1 562 | 12 588 |
| Other selling expenses (marketing) | 423 | 1 459 |
| Advertising costs | - | 391 |
| Total | 2 917 | 22 897 |

| (4) Administrative expenses | 2018 | 2017 |
|---|---------------|---------------|
| Cost type | EUR | EUR |
| Personnel costs | 23 313 | 39 850 |
| Provisions for annual leave and social security | - | (809) |
| Representation costs | 818 | 3 035 |
| Office expenses | 1 337 | 2 843 |
| Communication expenses | 1 010 | 2 293 |
| Bank expenses | 510 | 1 785 |
| Accounting and legal expenses | 263 | 7 223 |
| Other administrative costs | 4 292 | 7 800 |
| Total | 31 543 | 64 020 |

(5) Other operating income

| Type on income | 2018 | 2017 |
|-------------------------------------|----------------|------------------|
| | EUR | EUR |
| Net income from sale of real estate | 148 307 | 3 352 |
| Debt write-off | - | 1 327 778 |
| Other income | 1 990 | 11 847 |
| Total | 150 297 | 1 342 987 |

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

(6) Other operating expenses

| Type of income/expense | 2018 | 2017 |
|--|--------------|----------------|
| | EUR | EUR |
| Net loss from foreign exchange rate fluctuations | 1 247 | 1 929 |
| Penalties | 2 734 | 28 274 |
| Bad debts written off | - | 109 719 |
| Provisions for unsecured debts | - | 4 808 |
| Previous year expenses | - | 773 |
| Expenditures not related to economic activity | - | 258 |
| Total | 3 981 | 145 761 |

(7) Interest expense and similar expenses

| Type of costs | 2018 | 2017 |
|----------------------|-------------|-------------|
| | EUR | EUR |
| Loan interest paid | 86 | 114 |
| Total | 86 | 114 |

(8) Fixed Assets

| | Real estate | Technological equipment | Other fixed assets | Total EUR |
|------------------------|----------------|-------------------------|--------------------|------------------|
| Historical cost | | | | |
| 01.01.2018 | 325 089 | 2 263 692 | 67 942 | 2 656 723 |
| Acquired | - | 208 850 | - | 208 850 |
| Disposed | (2 128) | (179 502) | (34 700) | (216 330) |
| 30.06.2018. | 322 961 | 2 263 692 | 67 942 | 2 649 243 |
| Depreciation | | | | |
| 01.01.2018 | 58 187 | 2 055 324 | 46 124 | 2 159 635 |
| Depreciation charge | 2 221 | 40 474 | 641 | 43 336 |
| Disposed | - | (178 681) | (34 700) | (213 381) |
| 30.06.2018. | 60 408 | 1 917 117 | 12 065 | 1 989 590 |
| Net book value | | | | |
| 01.01.2017 | 266 902 | 208 368 | 21 818 | 497 088 |
| 30.06.2018. | 262 553 | 375 923 | 21 117 | 659 653 |

(9) Raw materials

| | 2018 | 2017 |
|---------------|---------------|---------------|
| | EUR | EUR |
| Raw materials | 25 546 | 35 708 |
| Total | 25 546 | 35 708 |

(10) Work in progress and finished goods

| | 2018 | 2017 |
|---------------------------------|---------------|---------------|
| | EUR | EUR |
| Work in progress | 14 723 | 14 870 |
| Total | 14 723 | 14 870 |
| Finished goods and in warehouse | 82 643 | 54 635 |
| Provision for decrease in value | (40 605) | (40 632) |
| Total | 42 038 | 14 003 |

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 June 2018

| (11) Advance payments for goods | 2018 | 2017 |
|--|---------------|---------------|
| | EUR | EUR |
| Advance (non-residents) | 9 087 | 13 187 |
| Advance (residents) | 3 385 | 2 891 |
| Total | 12 472 | 16 078 |

| (12) Trade receivables | 2018 | 2017 |
|---------------------------------|---------------|----------------|
| | EUR | EUR |
| Receivables(non-residents) | 49 328 | 60 819 |
| Receivables (residents) | 10 759 | 101 465 |
| Provisions for doubtful debtors | (4 808) | (4 808) |
| Total | 55 333 | 157 476 |

| (13) Receivables from related parties | 2018 | 2017 |
|--|----------------|----------------|
| | EUR | EUR |
| Payments for goods | - | 11 767 |
| Short-term loans | 309 160 | 309 160 |
| Total current receivables: | 309 160 | 320 927 |
| Total | 309 160 | 320 927 |

*On 12 November 2012 the Company issued non-interest bearing unsecured loan of EUR 309 160 to the related company SIA "Imanta Retail Park" with maturity on 10 November 2013. On 11 November 2013 the maturity date was changed to 12 November 2018, because SIA "Imanta Retail Park" was subordinated loan in relation to its loan from AS ABLV Bank.

| (14) Other receivables | 2018 | 2017 |
|----------------------------------|---------------|--------------|
| | EUR | EUR |
| Settlements with employees | 1 532 | 362 |
| Other debtors | 12 528 | 7 516 |
| Loans to employees | 7 248 | 7 248 |
| Provision for loans to employees | (7 248) | (7 248) |
| Total | 14 060 | 7 878 |

| (15) Deferred expenses | 2018 | 2017 |
|-------------------------------|--------------|-------------|
| | EUR | EUR |
| Insurance costs | 752 | 7 |
| Other expenses | 311 | 422 |
| Total | 1 063 | 429 |

| (16) Cash and cash equivalents | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| | EUR | EUR |
| Cash in bank accounts | 7 688 | 5 351 |
| Total | 7 688 | 5 351 |

(17) Information on the Company's share capital

at 31 December 2017 the subscribed and fully paid share capital consists of 2 549 084 ordinary shares with a nominal value of 1.40 EUR each.
; On 9 January 2018, the extraordinary meeting of shareholders of AS "VEF Radiotehnika RRR" decided to reduce the equity capital of the Company. At the meeting also approved the rules for equity capital reduction and the amendments to the Articles of Association of the Company by specifying the reduced equity capital. The equity capital of the Company is reduced by EUR 3,313,809.20. The equity capital is reduced in accordance with Article 262, Paragraph one, Clause 3 of Commercial Law by reducing the nominal value of stock of the Company. Following the reduction, the Company's Equity is EUR 254,908.40.

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AS "VEF Radiotehnika RRR" major shareholders are:

| | Number of shares | | EUR | |
|---------------------|------------------|--|----------------|------------------|
| | 2018.06.30 | | 2018.06.30 | 2017.12.31 |
| Eduards Maļejevs | 741 880 | | 74 188 | 1 038 632 |
| Jurijs Maļejevs | 864 512 | | 86 451 | 1 210 317 |
| Armands Maļejevs | 264 519 | | 26 452 | 370 327 |
| Inga Sprūga | 65 567 | | 6 557 | 91 794 |
| Jekaterina Maļejeva | 270 000 | | 27 000 | 378 000 |
| Ēriks Ertmanis | 200 000 | | 20 000 | 280 000 |
| Others (<5%) | 142 606 | | 14 261 | 199 648 |
| Total: | 2 549 084 | | 254 908 | 3 568 718 |

AS"VEF Radiotehnika RRR" shares are listed on the list of shares are quoted on the AS Nasdag Riga second list.

Chairman of the Council Eduards Maļejevs owns 741 880 shares;
 Chairman of the Board Ēriks Ertmanis owns 200 000 shares;
 Members of the Council Genadijs Hotejevs owns 1 624 shares;
 Member of the Council Vjacheslavs Mihailovins owns 695 shares.

(18) Retained earnings/(accumulated loss)

In accordance with decisions of Shareholders' meetings, the accumulated loss of previous years to be covered with the next years' profits.

| | 2018 | 2017 |
|----------------------------------|----------------|--------------------|
| | EUR | EUR |
| Previous years' accumulated loss | (3 245 484) | (4 470 434) |
| Correction | 3 313 810 | |
| Current year's profit/(loss) | 118 916 | 1 224 950 |
| Total | 187 242 | (3 245 484) |

(19) Long-term investment revaluation reserve

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | EUR | EUR |
| Opening balance | 160 202 | 60 679 |
| Deferred corporate income tax part | - | 99 523 |
| Closing balance | 160 202 | 160 202 |

The Company's fixed assets (land and buildings) were revalued according to Ober Haus Real Estate Company report on the real estate market value dated with 29.08.2016.

The Company's fixed assets (land and buildings) were revalued according to VCG ekspertu group Company report on the real estate market value dated with 17.05.2017

(20) Other loans

| | 2018 | 2017 |
|--------------|--------------|--------------|
| | EUR | EUR |
| Leasing | 584 | 1 029 |
| Other loans | 5 000 | 5 000 |
| Total | 5 584 | 6 029 |

(21) Advances from customers

| | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| | EUR | EUR |
| Advances from non-residents | 1 704 | 1 507 |
| Total | 1 704 | 1 507 |

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(22) Trade accounts payable

| | 2018 | 2017 |
|---|----------------|----------------|
| | EUR | EUR |
| Long-term part: | | |
| Trade accounts payable to non-residents | - | 47 206 |
| Long-term part total | - | 47 206 |
| Short-term part: | | |
| Trade accounts payable to non-residents | 626 | - |
| Trade accounts payable to residents | 377 740 | 208 009 |
| Short-term part total | 378 366 | 208 009 |
| Trade accounts payable total | 378 366 | 255 215 |

(23) Payables to related parties

| | 2018 | 2017 |
|--|---------------|----------------|
| | EUR | EUR |
| Short-term part: | | |
| Loans | 10 718 | 163 931 |
| Payment for services | 16 761 | - |
| Short-term part total | 27 479 | 163 931 |
| Payables to related parties total | 27 479 | 163 931 |

(24) Taxes and social insurance payments

| | 2018 | 2017 |
|-------------------------------------|---------------|---------------|
| | EUR | EUR |
| Long-term part | | |
| Taxes and social insurance payments | 18 868 | 18 868 |
| Short-term part: | | |
| 01.01.2018 | 35 048 | 243 902 |
| Changes in the reference year | (13 025) | (208 854) |
| 30.06.2018 | 22 023 | 35 048 |
| Total | 40 891 | 53 916 |

(25) Other creditors

| | 2018 | 2017 |
|----------------------------|---------------|---------------|
| | EUR | EUR |
| Salaries | 10 664 | 14 899 |
| Advance settlement amounts | - | 364 |
| Security | 2 784 | 5 259 |
| Total | 13 448 | 20 522 |

(26) Accrued liabilities

| | 2018 | 2017 |
|-------------------------------------|---------------|---------------|
| | EUR | EUR |
| Current expense | 172 | 13 513 |
| Provision for unused vacation leave | 13 438 | 13 438 |
| Total | 13 610 | 26 951 |

(30) Average number of employees during the year

| | 2018 | 2017 |
|---|-------------|-------------|
| Average number of employees during the year | 12 | 15 |

(31) Transactions with related parties

The Company's shareholders have significant impact on SIA "Imanta Retail Park" and company "Albatross" Tukuma rajonā.

The goods are sold to related parties and bought from related parties on market based prices. Outstanding commitments at the end of the year not secured and settlement is made in cash. No guaranties have been received or issued in respect of related party transactions neither in 2018..

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| Related party | | Sales to related parties | Purchases from related parties | Loans received | Amounts owed by related Parties as at 30 June | Amounts owed to related parties as at 30 June |
|---------------------------|-------------|---------------------------------|---------------------------------------|-----------------------|--|--|
| SIA Imanta Retail Park" | 2018 | 126 826 | 132 061 | - | 309 160 | 21 570 |
| | 2017 | 375 323 | 398 428 | - | 320 927 | 156 963 |
| "Albatross" Tukuma rajonā | 2018 | - | - | - | - | - |
| | 2017 | - | - | - | - | - |
| E.Maļejevs | 2018 | - | - | 6 968 | - | 5 909 |
| | 2017 | - | - | 6 968 | - | 6 968 |
| TOTAL | 2018 | 126 826 | 132 061 | 6 968 | 309 160 | 27 479 |
| TOTAL | 2017 | 375 323 | 398 428 | 6 968 | 320 927 | 163 931 |

Post balance sheet events

On 9 January 2018, the extraordinary meeting of shareholders of AS "VEF Radiotehnika RRR" decided to reduce the equity capital of the Company, the meeting also approved the rules for equity capital reduction and the amendments to the Articles of Association of the Company by specifying the reduced equity capital. The equity capital of the Company is reduced by EUR 3,313,809.20. The equity capital is reduced in accordance with Section 262, Paragraph one, Clause 3 of Commercial Law-by reducing the nominal value of stock of the Company. Following the reduction, the Company's equity is EUR 254,908.40.

Apart from the above information, no other events have occurred since the date of the reporting year which could considerably affect the report assessment or which would require additional explanation in this financial statement.

Chairman of the Board

Ēriks Ertmanis

Member of the Board/Chief Accountant

Olga Romaņko

August 21, 2018