



Rīgā

**Joint Stock Company
VEF
(Latvian Unified registration number 40003001328)**

ANNUAL REPORT

**for year ended 31 December 2017
in accordance with the Law of the Republic of Latvia**

Audited

**Riga
2018**



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INFORMATION ABOUT THE COMPANY

Company name	Joint Stock Company "VEF"
Legal status	Joint Stock Company
Registration number, place and date	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
Legal address	Brivibas str.8, Riga, LV-1039, Latvia
Post address	Brivibas str.8, Riga, LV-1039, Latvia
NACE code	68.20; 35.13;
Chairman of the Board	Gints Fenuks
Member of the Board	Martins Cauna Tamara Kampane
Members of the Council	Gints Lipins Modris Zommers Laila Liduma Modris Zommers Ervinš Kampans
Financial year	from 2017.01.01 till 2017.12.31
Information about shareholders	The total paid-up and registered share capital is EUR 2 722 492 as of 31 December 2017, it consists of 32% bearer shares and 68% of registered shares.
Auditor:	Qualified (sworn) auditor Gunta Darkevica Certificate No. 165 Qualified auditors company Ltd. "BDO AUDIT " Licence No. 176



Managemen Report

Joint stock venture VEF is a publicly traded company that is doing business by managing its own real estate property, renting business spaces, and also electricity distribution services for businesses located in VEF territory.

Net turnover of the joint venture at the end of the reporting year is 1 299 520 EUR. Despite the increase of net turnover, the management of the company has executed cost saving activities and as the result the company finished the year with a profit amounting 252 572 EUR.

From the last day of reporting until the day of signing off the report no major events happened that could have any substantial impact on the evaluation of the financial report. Therefore, the decision has been taken to call the Annual General Meeting on April 23, 2018.

Currently the Company continues to provide full set of services and is in preparations for planned renovation of its real estate that is required since buildings are in use for more than fifteen years. Renovation plans are in the phase of approval and will require substantial investments which the Company is planning to cover from own revenues executing renovation activities in many consecutive steps within following three years.

The Company is preparing to reconstruct premises previously used for production and convert these premises into office spaces to successfully attract new customers. To cover investments required for these activities the Company is planning partly to use its own resources – but mainly bank financing will be attracted.

As of planned works for the next reporting period the Company is planning to invest in improving of roads and energy efficiency that are important for existing and new potential customers.

Board of JV VEF holds to the strategic plans of the company according to economic developments in the country and following to the trends of the real estate rent and electricity distribution markets.

Company operations are influenced by various financial risks including credit risk and interest rate volatility. Company's management tries to minimize potential negative impacts of financial risks. Financial resources that potentially expose the Company towards acknowledged levels of credit risks, are mainly free cash and debtor and creditor debts. Debtor and creditor debts are stated as recoverable amounts. Company's partners in cash transactions are local financial institutions. Company adheres to strict management of liquidity risks ensuring meeting credit obligations within set due dates. Company's management believes that the Company will generate enough cash in order not to jeopardize its liquidity.

Board recommends the profit of 252 572 EUR to use by covering losses of previous years.

Results of financial activities for the coming years depends from inflation and also from real estate market trends.

Company's equity is 2 722 492 EUR. Company's equity consists of 623 528 bearer shares and 1 321 109 registered shares. Nominal value of each share is 1.40 EUR.

Customers renting the Company's real estate are attracted because of location, representative conditions of buildings, and legendary "good fame" of the Company. Company growth depends on real estate market trends and bank financing policies.

Gints Feņuks

Chairman of the Management Board

Tamara Kampane

Member of the Management Board

Martins Cauna

Member of the Management Board



Report on the Management Board's responsibility to the audited annual Report of JSC „VEF” for the twelve months of 2017

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the financial statements of the Company. The financial statements audited.

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 December 31, 2017.

Accounting principles used in preparation of the financial statements have not been changed comparing to the previous reporting period. During preparation of the financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the 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.

Gints Feņuks
Chairman of the Management Board

Tamara Kampane
Member of the Management Board

Martins Cauna
Member of the Management Board



PROFIT AND LOSS CALCULATION FOR THE PERIOD, WHICH ENDS ON THE
2017.12.31 (classified by cost function)

	Appendix	2017	2016
		EUR	EUR
Net turnover		1 299 550	1 297 712
from other principal activities	2	1 299 550	1 297 712
Costs of goods sold and services rendered	3	-826 878	-890 635
Gross profit or loss		472 672	407 077
Administrative expenses	4	-104 510	-110 503
Other operating income	5	25 886	148 590
Other operating expenses	6	-30 211	-19 862
Interest expenses and similar expenses :		-105 483	-120 317
for other parties	7	-105 483	-120 317
Profit or loss after corporate tax		258 354	304 985
Corporate income tax	8	-5 782	0
Profit or loss of the financial year		252 572	304 985
	EPS	0.13.	0.16.

Appendix from

11 till 23 page is an integral part of this financial statement.

Gints Feņuks	21.March 2018
Chairman of the Management Board	
Tamara Kampane	21 March 2018
Member of the Management Board	
Martins Cauna	
Member of the Management Board	21 March 2018

**BALANCE SHEET ON THE** **2017.12.31**

ASSETS	Appendix	2017	2016
		EUR	EUR
Fixed assets			
Intangible assets			
Concessions, patents, licences,		49	56
Intangible assets total	9	49	56
Tangible (fixed) assets			
Land and buildings		5530695	5469001
Other fixtures and fittings, tools and equipment		27393	32621
Total tangible assets	10	5558088	5501622
Fixed Assets total		5558137	5501678
Current assets			
Debtors			
Trade debtors	11	11488	73367
Other debtors	12	20073	9144
Deferred expenses	13	5318	4805
Accrued income		49728	60230
Total debtors		86607	147546
Cash funds	14	212060	120368
Current Assets total		298667	267914
Total assets		5856804	5769592

**BALANCE SHEET ON THE 2017.12.31**

LIABILITIES	Appendix	2017	2016
		EUR	EUR
Equity capital			
Company capital	15	2722492	2722492
Long term investment adjustment reserve	16	665655	673774
Other reserves		44477	44477
Undistributed profit/losses:	17		
a) losses from prior years		-570644	-875629
b) profit of financial year	17	252572	304985
Equity capital total		3114552	2870099
Creditors			
Long term creditors			
Borrowings from credit institutions	18	2432612	2572955
Advance payments from customers	20	30547	30547
Other borrowings	19	0	0
Deferred income tax liabilities	21	0	0
Long term creditors total		2463159	2603502
Short term creditors			
Borrowings from credit institutions	18	140343	140343
Other borrowings	19	5075	23670
Debts to suppliers of goods and services	22	50320	54625
Advance payments from customers	20	16353	20472
Taxes and contributions to social security	23	32782	27297
Other creditors	24	9234	10083
Accrued liabilities	25	24986	19501
Short term creditors total		279093	295991
Creditors total		2742252	2899493
Total liabilities		5856804	5769592

Appendix from 11 till 23 page is an integral part of this financial statement.

Gints Feņuks

Chairman of the Management Board

21 March, 2018

Tamara Kampane

Member of the Management Board

21 March, 2018

Martins Cauna



CASH FLOW FOR THE PERIOD, WHICH ENDS ON THE
2017.12.31 (indirect method)

	Appendix	2017 EUR	2016 EUR
Cash flow from operating activities			
Profit or loss from operating activity before extraordinary items and taxes		258 354	304 985
Adjustments:			
tangible asset depreciation and amortization (+)	10	70 739	-45 085
intangible asset depreciation (+)	9	7	116
interest payable and similar charges	7	105 483	120 317
Profit or loss before adjustments of current assets and short term liabilities		434 583	380 333
Adjustments:			
adjustments of debtors: increase (-); decrease (+)		60 939	-49 395
adjustments of creditors: increase (-); decrease (+)		-12 204	-8 472
Cash flow from operating activities		483 318	322 466
Interest paid	7	-105 483	-120 517
Cash flow before extraordinary items		377 835	202 149
Net operating cash flow		377 835	202 149
Investing cash flow (expenses "-"):			
Acquisition of fixed and intangible assets	10	-127 205	-5 722
Net investing cash flow		-127 205	-5 722
Financing cash flow (expenses "-"):			
Repaid borrowings		-140 343	-140 343
Expenditure on lease liabilities		-18 595	-19 350
Net financing cash flow		-158 938	-159 693
Net cash flow of financial year		91 692	36 734
Cash and its equivalents at beginning of period		120 368	83 634
Cash and its equivalents at end of period	14	212 060	120 368

Appendix from 10 till 22 page is an integral part of this financial statement.

Gints Fenuks
Chairman of the Board

signature

21 March, 2018

Tamara Kampane
Member of the Board

signature

21 March, 2018



REPORT OF CHANGES IN EQUITY CAPITAL
for period ending on 2017.12.31

	Company capital	Other reserves	Long term investment adjustment reserve	Profit or losses from prior years	Profit or losses of financial year	Equity capital total
	EUR	EUR	EUR	EUR	EUR	EUR
2016.12.31	2 722 492	44 477	805 396	-1 069 412		2 502 953
2016 financial year result moved to profit or losses from prior years	0		0	498 768	0	498 768
Profit or losses of financial year	0		0			0
Long-term revaluation increase			-131 622			-131 622
Reserves				0		0
2016.12.31	2 722 492	44 477	673 774	-570 644	0	2 870 099
2017 financial year result moved to profit or losses from prior years	0		0	252 572		252 572
Profit or losses of financial year	0		0			0
Long-term revaluation decrease			-8 119			-8 119
2017.12.31	2 722 492	44 477	665 655	-318 072	0	3 114 552

Appendix from 11 till 23 page is an integral part of this financial statement.

Gints Fenuks Chairman of the Board	_____	21 March, 2018
Tamara Kampane Member of the Board	_____	21 March, 2018
Martins Cauna Member of the Board	_____	21 March, 2018



ACCOUNTING POLICIES

General principles

The Financial Report are prepared in accordance with the law of the Republic of Latvia " On Accounting " and "Annual Reports and Consolidates Annual Reports Law ", as well in accordance with Cabinet of Ministers Regulations No.775 "Regulations on Application of Annual Reports and Consolidated Annual Reports Law " and Cabinet of Ministers Regulations No.399 " Regulations on Electronic Copy of Prepared Financial Statements or Consolidated Financial Statements " and other regulatory legislative acts on accounting and annual reports.

Profit and loss statement is classified by function of expense.

The cash flow statement prepared on the operating cash flow as measured by indirect method.

Revenue recognition and net sales

Net turnover is the total value of the sold production (services) during the year without discounts and value added tax.

Other revenues are recognized as follows:

- revenue from rents - as they were incurred;
- revenue from penalties and default fees - at the time of receipt.

Fixed assets

Fixed assets are presented in the acquisition or revaluation cost less depreciation. Depreciation is calculated on a straight-line method over the asset's useful period of usage. The following rates of depreciation is set by management, to write down fixed asset value to its estimated residual value at the useful end of period:

	(the year)
Buildings and structures	58-100
Other fixtures and fittings, tools and vehicles	4

The increase in value because of revaluation is reflected in equity capital item "*Long term investment adjustment reserve*", but decrease in value is written-off from the increase of this reserve made in previous years regarding the corresponding fixed asset, the excess is included in profit or loss statement of the period.

Debtors

Accounts receivable in balance sheet are stated in net worth from the initial value minus reserves for doubtful and bad debts. Specific provision for doubtful and bad debts are created when management believes that the recovery of these specially segregated receivables are doubtful.

Corporate income tax

The year of account corporate income tax expenses are calculated in accordance with Latvia laws and regulations.

Deferred tax is calculated according to the liability method according to all temporary differences between assets and liabilities in the financial statements and their values for the tax calculation purposes. In deferred tax calculations is used the tax rate which is expected during periods when temporary differences levels off. Temporary differences arise mainly from using different rates of depreciation of fixed assets, as well as from the tax losses to be carried over to future tax periods. In cases where the total deferred tax result would be reflected in the balance sheet assets, its included in financial statements only if there is prospective that there will be available taxable profits, which will be subject to the deductible temporary differences that created deferred tax assets.

Estimated time of using fixed assets

Fixed assets are presented in the acquisition or revaluation cost less depreciation. Depreciation is calculated on a straight-line method over the asset's useful period of usage. The following rates of depreciation is set by management, to write down fixed asset value to its estimated residual value at the useful end of period.

Provisions

Provision for doubtful debtors is formed as an calculation, applying to each debtor's individual valuation method or use the percentage assessment method depending on when the debt was incurred.



Provision for employee leave is formed as an calculation, based on unused vacation time of the reporting year and norms of social security contributions.

Foreign currency revaluation in lats

Accounting in company is made in lats. All transactions in foreign currencies are revaluated into lats by the Bank of Latvia official exchange rate at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents in cash flow statement consists of cash in hand, current account balances.

The annual review key points is assessed accounting to principles:

- The assumption is that the company will operate in the future.
- Used the same methods as used in the previous year.
- Assessment carried out with the proper precautions:
 - report includes only the profit on the balance sheet date;
 - is taken into account all the expected risks and the losses incurred in the reporting year or previous years, even if they become known during the period between the annual reports ending date and the date of making the annual report;
 - calculated and taken into consideration any reduction in value and depreciation amounts, regardless of whether the reporting year is closed with profit or losses.
- Taken into consideration with the current year revenues and related expenses, regardless of the date of payment and receipt of an invoice or the date of the statement. Cost-ordinated with revenues during the reporting period.
- Active and passive components of items valued separately.
- Beginning balance for the year coincides with the previous year's closing balance sheet.
- Listing all items that materially affect the annual general users of the assessment or decision-making, minor items are combined and the detail provided in the annex.
- Economic transactions in the annual report presented in the light of their economic substance and nature, rather than legal form.

Long-term investments

- Evaluated according to their initial value, that is the purchase cost or production cost.
- Acquisition or production costs of the investment object is gradually written off (depreciated) for intended use period, if administration period of object is limited. A plot of land acquisition costs are not subject to write-off (amortization).

Current assets

- Asset evaluation based on the purchase or production cost.
- suitable for the evaluation of the balance sheet date are evaluated according to the lowest market price or production cost
- Debt balances on the balance sheet is shown accordingly to appropriate supporting documents and accounting records, and they are coordinated with their own accounts receivable records at the date of making balance sheet. In dispute cases balances in balance sheet is shown according to the records. The accruals is made for a questionable amount of doubtful debts.

Reporting Period

Reporting period is 12 months from 2017.01.01 till 2017.12.31

Long-term and short-term positions



Long-term liabilities is recognized if receipt, payment, or retirement shall be the later of one year after the year end.
Amounts receivable, payable or depreciable during the year is presented as a short-term positions.

Net turnover

Turnover consists of revenues that the Company gained in the first six months of 2017 from its core business-service provision without VAT

Activity	2017 EUR	2016 EUR
Office rent	646 464	658 376
Facilities management and utilities	314 785	321 264
Electricity distribution and servicing	338 301	318 072
Ferrous and non-ferrous metal trading income		
Total	1 299 550	1 297 712

Allocation of salesmarkets

State	2017 EUR	2016 EUR
Latvia	1 299 550	1 297 712
Total	1 299 550	1 297 712

(3) Costs of goods sold and services rendered

	2017 EUR	2016 EUR
Utility services expenses (energy and other services)	408 685	422 728
Personnel costs and social tax	172 673	171 490
Depreciation	70 739	86 537
Other operating costs	117 312	169 980
Transport expenses	10 870	9 550
Charges for land rent	7 173	7 173
Insurance costs (building)	5 155	5 221
Expenses for telecommunication	1 514	1 443
Depreciation of license	7	116
Bank service	313	255
Real estate tax (buildings, land)	30 888	16 036
Bizness travel expenses	1 426	0
Personnel training	123	106
Total	826 878	890 635

(4) Administrative expenses

	2017	2016
	EUR	EUR
Salaries and social tax for administration	73 933	80 939
Transportation expenses for administration	10 870	9 550
Annual fee NASDAQ RIGA	7 120	7 120
Expenses for telecommunication	1 514	1 443
Office expenses	955	1 412
Lawyers' service fees	6 820	6 143
Audit costs	3 140	3 800
represent costs (40%)	158	96
Total	104 510	110 503

(5) Other operating income

	2017	2016
	EUR	EUR
Fines	1 723	620
Long-term revaluation decrease	8 119	131 622
Proceeds from creditor write-off	0	2 036
Other income	2 044	1 256
Municipal co-financing of building as a cultural monument preservation	14 000	0
Income from savings for vacations reduction	0	13 056
Total	25 886	148 590

(6) Other operating expenses

	2017	2016
	EUR	EUR
Fines payment of income tax	564	526
Insurance compensation	1 411	1 380
Fines by electric energy distribution networks	0	640
Offerings to Latvian orphans fund	204	1 201
Bad debts write-off costs	5 847	0
Vacation accrual reserve increase	21 846	15 701
Other expenses	54	240
represent costs (60%)	285	174
Total	30 211	25 712

Interest expenses and similar expenses :

	2017	2016
	EUR	EUR
Bank interest	105 121	119 427
Leasing interest	362	890
Total	105 483	120 317

**(9) Intangible assets**

	Concessions, patents, licences, brand names and other rights	Intangible assets total
	EUR	EUR
Aquisition cost		
2016.12.31	2 207	2 207
2017.12.31	2 207	2 207
Depreciation		
2016.12.31	2 151	2 151
Calculated depreciation	7	7
2017.12.31	2 158	2 158
Balance sheet on 2016.12.31	56	56
Balance sheet on 2017.12.31	49	49



(10) Tangible (fixed) assets

	Land and buildings **	Tangible assets costs	Other fixtures and fittings, tools and equipment	Total tangible assets
	EUR	EUR	EUR	EUR
Acquisition cost				
2016.12.31	6 155 499		258 597	6 414 096
Acquisitions	119 106	0	8 099	127 205
Overvalued	0	0	-6 402	-6 402
2017.12.31	6 274 605	0	260 294	6 534 899
Depreciation				
2016.12.31	686 498	0	225 976	912 474
Calculated depreciation	57 412	0	13 327	70 739
Overvalued	0	0	-6 402	-6 402
2017.12.31	743 910	0	232 901	976 811
Balance sheet on 2016.12.31	5 469 001	0	32 621	5 501 622
Balance sheet on 2017.12.31	5 530 695	0	27 393	5 558 088

**(11) Trade debtors**

	2017	2016
	EUR	EUR
Trade debtors	11 488	73 367
Balance value	11488	73367

Allocation of currency:

	2017	2016
	EUR	EUR
EUR	11 488	73 367
Total	11488	73367

(12) Other debtors

	2017	2016
	EUR	EUR
VAT on advances	7 263	8 181
Advance purchase of fuel	528	963
Advance services provider	1 256	0
Other debtors	11 026	0
URDVN tax overpaid	0	0
Total	20 073	9 144

(13) Deferred expenses

	2017	2016
	EUR	EUR
Ground rent for the 1st quarter in 2018	1 793	1 793
Insurance payments	2 753	2 233
Subscriptions 2015.	772	779
Total	5 318	4 805

(14) Cash funds**(31.12.2017)****Allocation of currency:**

	2017	2016
	EUR	EUR
EUR	212 060	120 368
Total	212060	120368

**(15) Company capital**

Company capital is divided on shares	1 944 637
per value each EUR	1,4
	2 722 492

(16) Long term investment adjustment reserve

	2017	2016
	EUR	EUR
Long term investment adjustment reserve	665 655	673 774
Total	665655	673774

(17) Undistributed profit/losses:

Losses of previous years (31.12.2016)	-570 644 EUR
Profit of financial year	252 572 EUR
Losses of financial year	-318 072 EUR

(19) Borrowings from credit institutions

Allocation of currency:	2017	2016
	EUR	EUR
EUR (long term)	2 432 612	2 572 955
EUR (short-term)	140 343	140 343
Total	2 572 955	2 713 298

Main points of agreement/contract

Company name / name, surname	Principal amount, EUR	% rate	%	Term
SEB Banka	4 466 086	1.936%	105 121	22.05.2020.

(22) Advance payments from customers

	2016	2016
	EUR	EUR
Long term	30 547	30 547
Short term	16 353	20 472
	46 900	51 019

(23) Taxes and contributions to social security

Type of tax	Residual	Calculated	Paid	Residual
	2016.12.31			2017.12.31
	EUR	EUR	EUR	EUR
Value added tax	14052	146 708	146 586	14174



Social security contributions	6069	68 021	67 835	6255
Personal income tax	7170	43 462	44 067	6565
Real estate tax (buildings,land)	0	30 888	30 888	0
State duties	6	69	69	6
Corporate income tax	0	5782		5782
Company car tax	0	1644	1644	0
Total	27297	296 574	291089	32782

During the financial year has been calculated and paid payment penalty: PIT- 524 EUR.

Inter alia:	2017	2016
	EUR	EUR
Tax overpayment	32 782	27 297

(24) Other creditors

	2017	2016
	EUR	EUR
Salaries for December	9 234	10 083
Total	9 234	10 083

(27) Other borrowings

	2016	2016
	EUR	EUR
Swedbanka leasing	0	3 716
long term	0	0
short term	0	3 716
SEB Leasing	5 075	19 954
long term	0	0
short term	5 075	19 954
Total	5075	23670

(28)

	2016	2016
Average amount of company's employees during year	17	17

(29) Information about remuneration to Members of the Board and executives

The remuneration of Member of the Board during year 2017 was 13 692 EUR.

(28) Financial risk management

The significant financial tools of Company are borrowings from credit institutions, legal persons and related parties, finance lease, money and short-term deposits. The main task of these financial tools is to provide Company's economic activity with funding. The Company also faces with other financial tools, such as trade debtors, other debtors, debts to suppliers and other creditors, which result directly from economic activity.

Interest rate risk

The Company has interest rate risk mainly because of its borrowings.



Credit risk

The Company has credit risk due to its trade debtors, given short-term loans and money and its equivalents. Company controls its credit risk by evaluating constantly debt repayment history of clients and by setting individual terms for each client. Moreover the Company follows non-stop the rest of debtors debts to diminish the possibility of irrecoverable debt emergence.

Liquidity risk

Company controls its liquidity risk by keeping appropriate amount of money or money equivalents.

(29) Information about off- balance liabilities and pledged assets

None.

(30) Details of the lease or rent agreements, mortgages, guarantees and other contracts that have an important role for the Company

The Joint Stock Company "VEF" is a publicly traded company, dealing with management and administration of its real estate, rendering space rental and electrical services to consumers on the VEF territory.

There were signed with the major customers long-term rental agreement.

As well as the Company has rent:

land in the Brivibas str. 214, rental agreement with JSC "Privatizācijas aģentūra" .

Pledge agreement No.KD03702/2 AS SEB banka, registered No.100093834 on 07.07.2015 - the claim secured in amount of EUR 5 386 000.

(31) Information about remuneration to auditor

Concluded agreement with BDO AUDITS Ltd. for 3140 EUR (not including VAT).

Gints Fenuks
Chairman of the Board

signature

21 March, 2018

Tamara Kampane
Member of the Board

signature

21 March, 2018



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Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholders of VEF AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of VEF AS (the Company), set out on pages 5 to 22 of the accompanying annual report, which comprise the balance sheet as at 31 December 2017, and the profit or loss statement, cash flow statement and statement on changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of VEF AS as of 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key audit matter</i>	<i>Audit response</i>
As stated in note 10 to the financial statements, on 31 December 2017, the Company owns real estate with the carrying value of EUR 5 530 695 that comprises 94% of the total assets.	We have evaluated assumptions and methods used by management for assessment of recoverable amount of real estate.

Company's management have assessed recoverable amount of real estate.

Balance sheet value of the real estate is material to the financial statements as a whole, therefore our audit procedures performed in respect of management's assessment of recoverable amount of real estate were significant part of our audit.

We have critically considered management assessment of market value of real estate.

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on page 3.

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 3 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published together with the audited Annual Report and available at Internet site <http://www.nasdaqbaltic.com>.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

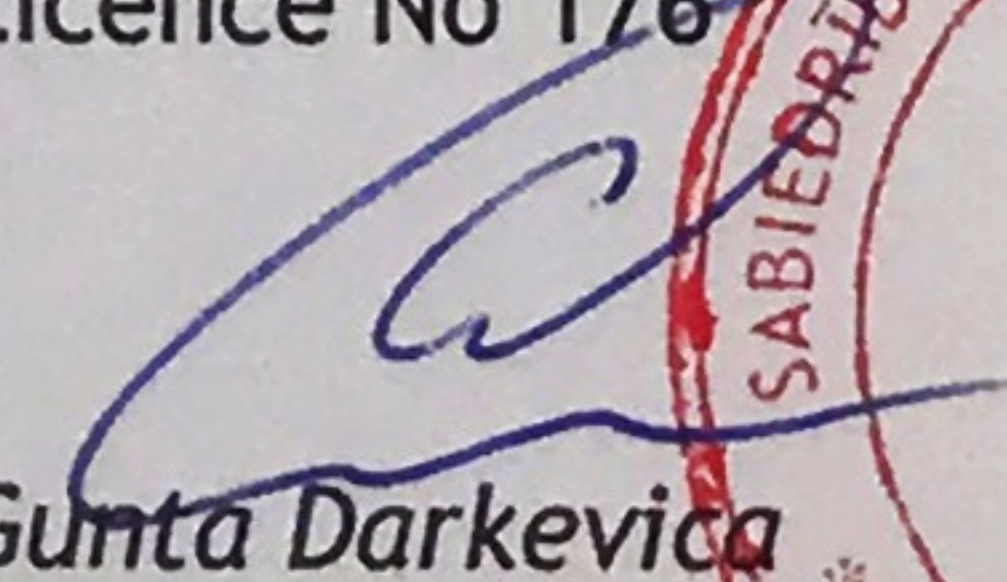
We were appointed by those charged with governance on 27 April 2017 to audit the financial statements of AS VEF for the year ended 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2016 to 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014 or other services. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Gunta Darkevica.

BDO Audit SIA
Company of Certified Auditors
Licence No 176


Gunta Darkevica
Member of the Board
Certified auditor of Latvia
Certificate No. 165



21 March 2018
Riga, Latvia