



Rīgā

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

ANNUAL REPORT
for year ended 31 December 2018
in accordance with the Law of the Republic of Latvia

Audited

**Riga
2018**



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Report on the Management Board's responsibility to the audited annual Report of JSC „VEF” for the twelve months of 2018

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, 2018.

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
25 March, 2019

Tamara Kampāne
Member of the Management Board
25 March, 2019

Martins Cauna
Member of the Management Board
25 March, 2019



Management 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 1 254 476 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 236 683 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 26, 2019.

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 236 683 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
25 March, 2019

Tamara Kampane
Member of the Management Board
25 March, 2019

Martins Cauna
Member of the Management Board
25 March, 2019



PROFIT AND LOSS CALCULATION FOR THE PERIOD, ENDING ON 31.12.2018
(classified by cost function)

	Appendix	2018	2017
		EUR	EUR
Net turnover		1 254 476	1 299 550
from other principal activities	2	1 254 476	1 299 550
Costs of goods sold and services rendered	3	-808 380	-826 878
Gross profit or loss		446 096	472 672
Administrative expenses	4	-120 548	-104 510
Other operating income	5	24 428	25 886
Other operating expenses	6	-2 293	-30 211
Other interest income and similar income:		1 374	
from other parties		1 374	
Interest expenses and similar expenses :		-112 374	-105 483
for other parties	7	-112 374	-105 483
Profit or loss after corporate income tax		236 683	258 354
Corporate income tax	tax 8	0	-5 782
Profit or loss of the financial year		236 683	252 572
	EPS	0.12.	0.13.

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

Gints Feņuks
Chairman of the Management Board 25 March, 2019

Tamara Kampane
Member of the Management Board
Chief accountant 25 March, 2019

Martins Cauna
Member of the Management Board 25 March, 2019



BALANCE SHEET ON THE 31.12.2018

ASSETS	Appendix	2018	2017
		EUR	EUR
Fixed assets			
Intangible assets			
Concessions, patents, licences, trademarks and other similar rights		42	49
Intangible assets total	9	42	49
Fixed assets (fixed assets, investment properties, and biological assets):			
Immovable properties:			
land parcels, buildings and engineering structures		5472362	5530695
Other fixed assets and inventory		93719	27393
Advances for fixed assets		5762	
Fixed assets, total	10	5571843	5558088
Long-term financial investments			
Investments in subsidiaries	25	3000	
Loans to subsidiaries	25	60000	
Long-term financial investments, total		63000	
Non-current assets, total		5634885	5558137
Current assets			
Receivables:			
Trade receivables	11	8383	11488
Other receivables	12	22372	20073
Deferred expenses	13	5312	5318
Accrued income		38793	49728
Receivables, total		74860	86607
Cash	14	343338	212060
Current Assets total		418198	298667
Total assets		6053083	5856804



BALANCE SHEET ON THE 31.12.2018

LIABILITIES	Appendix	2018	2017
		EUR	EUR
Equity			
Share capital	15	2722492	2722492
Revaluation reserve for long-term investments	10,16	657470	665655
Reserves			
a) other reserves		44477	44477
Retained earnings or accumulated deficit:	17	-318072	-570644
Profit or loss for the year	17	236683	252572
Equity total		3343050	3114552
Creditors			
Non-current liabilities:			
Loans from credit institutions	18	2318174	2432612
Prepayments received from customers	20	47273	30547
Other loans	19	57117	0
Long term creditors total		2422564	2463159
Current liabilities			
Loans from credit institutions	18	144000	140343
Other loans	19	13445	5075
Prepayments received from customers	20	25658	16353
Trade payables	21	45778	50320
Taxes and the state social security contributions	22	20992	32782
Other payables	23	13139	9234
Accrued liabilities	24	24457	24986
Current liabilities, total		287469	279093
Liabilities, total		2710033	2742252
Equity and liabilities, total		6053083	5856804

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

Gints Feņuks
Chairman of the Management Board 25 March, 2019

Tamara Kampane
Member of the Management Board 25 March, 2019
Chief accountant

Martins Cauna
Member of the Management Board 25 March, 2019



CASH FLOW FOR THE PERIOD, WHICH ENDS ON THE
31.12.2018 (indirect method)

	Appendix	2018 EUR	2017 EUR
Cash flow from operating activities			
Profit or loss before corporate income tax		236 683	258 354
Adjustments:			
a) fixed assets depreciation	10	76 244	70 739
b) intangible assets amortisation	9	7	7
c) interest expenses and similar expenses	7	112 374	105 483
Profit or loss before adjustments of changes in current assets and current liabilities		425 308	434 583
Adjustments:			
a) accounts receivable increase or decrease		-11 809	60 939
b) accounts payable increase or decrease		99 856	-12 204
Net cash flow from operating activities		513 355	483 318
Interest paid	7	-112 374	-105 483
Net operating cash flow		400 981	377 835
Cash flow from investing activities			
Acquisition of fixed and intangible assets	10	-84 236	-127 205
Investments in related companies, associated companies or other entities		-3 000	
Loans to subsidiaries		-60 000	
Net cash flow from investing activities		-147 236	-127 205
Cash flow from financing activities			
Borrowings repaid		-110 781	-140 343
Payments for leased fixed assets		-11 686	-18 595
Net cash flow from financing activities		-122 467	-158 938
Net cash flow for the year		131 278	91 692
Cash and its equivalents at the beginning of the period		212 060	120 368
Cash and its equivalents at the end of the period	14	343 338	212 060

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

Gints Fenuks Chairman of the Board	_____	25 March, 2019
	signature	
Tamara Kampane Member of the Board	_____	25 March, 2019
Chief accountant	signature	
Martins Cauna Member of the Board	_____	25 March, 2019
	signature	



REPORT OF CHANGES IN EQUITY CAPITAL
for period ending on 31.12.2018

	Appendix	2018 EUR	2017 EUR
I Share capital	15		
Opening balance		2 722 492	2 722 492
Closing balance		2 722 492	2 722 492
II Revaluation reserve for long-term investments	16		
Opening balance		665 655	673 774
Increase/decrease of revaluation reserve for long-term investments		-8 185	-8 119
Closing balance		657 470	665 655
III Reserves			
Opening balance		44 477	44 477
Closing balance		44 477	44 477
IV Retained earnings	17		
Opening balance		-318 072	-570 644
Increase/decrease of retained earnings		236 683	252 572
Closing balance		-81 389	-318 072
V Equity			
Opening balance		3 114 552	2 870 099
Closing balance		3 343 050	3 114 552

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

Gints Fenuks _____ 25 March, 2019
Chairman of the Board signature

Tamara Kampane _____ 25 March, 2019
Member of the Board signature
Chief accountant

Martins Cauna _____ 25 March, 2019
Member of the Board signature



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.214, Riga, LV-1039, Latvia
Post address	Brivibas str.214, 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 01.01.2018 till 31.12.2018
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.
Information about shareholders	VEF Komunikaciju Serviss Ltd. - 45,52 %; Laila Liduma - 6.31 %; Tamara Kampane - 11,68 % Gints Fenuks - 24.50 % Others shareholders - 11.99 %
Subsidiary company	Ltd. "VEF Projekts ",(100 %),Brīvības gatve 214,Rīga.
Auditor:	Certified auditor Gunta Darkevica Certificate No. 165 Certified auditors company Ltd. "BALTIC AUDIT " Licence No. 176



ACCOUNTING POLICIES

Information about the Company

VEF AS (hereinafter – “Company”) is public joint stock company company. The Company is registered with the Republic of Latvia Enterprise Register, registration No 000300132 on 15 April 1991 Riga, with the Commercial Register, registration No 40003001328 on 14 April 2014 Riga, The legal address of the Company is at Brivibas gatve 214, Riga. Company’s Chairman of the Board is Gint Feņuks. Members of the Board Mārtiņš Cauna, Tamāra Kampāne. Chairman of the Council is Guntis Lipiņš, deputy of the Chairman of the Council is Ergīls Arājs. Members of the Council Laila Līduma, Modris Zommers, Ervīns Kampāns. The Company’s auditor is company of certified auditors Baltic Audit SIA and certified auditor in charge Gunta Darkevica.

The Company's financial statements are prepared for the period from 1st January 2018 to 31st December 2018, and it was prepared by Chief Accountant Tamāra Kampāne.

General principles

The financial statements are prepared in accordance with the law of the Republic of Latvia “On Accounting”, and "Annual Reports and Consolidated 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 or loss statement is classified by function of expense.

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

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.

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 fixed assets and inventory	4

When carrying value of the fixed asset is lower than its estimated recoverable amount, and it is expected to be sustainable, the impairment provision is created and the asset is written down to its recoverable amount.

The increase in value due to the revaluation is reflected in the equity item "Revaluation reserve for long-term investments". If increase in value fully or partially compensates the decrease in the value of the same fixed asset, which in previous reporting years had been included in the profit or loss account as costs, such an amount of increase in value, which does not exceed the referred to costs, is included in the profit or loss statement as income in the reporting year. Revaluation reserve of long-term investments is reduced, if the revalued object of fixed assets is disposed, liquidated or there is no basis for increase in the value thereof anymore or if calculation of annual depreciation of the object of revalued fixed asset is carried out. Reduction of revaluation reserve is included in the profit or loss account as revenue in the financial year in which such reduction is carried out.

Profit or loss from disposal of fixed assets are calculated as difference between balance sheet value and proceeds from sales, and income from write-off of revaluation reserve of the respective fixed asset, and it is recognized in the period when occurred. Income and expense from the disposed fixed assets are netted in profit or loss account.

Repairs and maintenance are charged to the profit and loss statement during the period in which they are incurred.

Profit or loss from disposal of fixed assets are calculated as difference between balance sheet value and proceeds from sales, and income from write-off of revaluation reserve of the respective fixed asset, and it is recognized in the period when occurred.

Long-term financial investments

Investments in subsidiaries and associated companies are accounted for by applying the cost method. After initial recognition, investments in subsidiaries and associated companies are accounted at their cost, less impairment losses. If any events or changes in circumstances indicate that the carrying value of investment in subsidiary or associate may not be recoverable, the carrying value is revised to identify amount of impairment.

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.

Receivables are measured at the end of the reporting period, in accordance with the accounting data and the statement on comparative settlements.

The actual amounts of the receivables correspond to the invoices and other amounts shown in the original accounting documents.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Actual results may differ from these estimates.

Estimates and related assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates are reviewed and in subsequent periods. The most important reasons for inaccuracy in estimates are:

Impairment

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The residual values and useful lives of assets are reviewed and, if necessary, adjusted at each balance sheet date.



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.

Cash and cash equivalents

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

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.

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.

Trade payables

The balances of trade payables are shown in the balance sheet in accordance with the source documents and records in the accounting registers, and are consistent with the creditors' own records. These trade payables are divided into short-term or long-term debt (liabilities), respectively, incurred during the ordinary course of business and settled within 12 months after the balance sheet date. Long-term liabilities that the company will have to pay no earlier than one year after the end of the reporting year. Loan or leasing liabilities are divided into short and long term respective.

Loans

The amounts of loans received from credit institutions at the end of the reporting year are comparable to those of the credit institution concerned.

(2) Net turnover

Turnover consists of revenues that the Company gained in 2018 from its core business-service provision without VAT

Activity	2018 EUR	2017 EUR
Office rent	690 196	646 464
Facilities management and utilities	311 833	314 785
Electricity distribution and servicing	251 456	338 301
Ferrous and non-ferrous metal trading income	991	
Total	1 254 476	1 299 550

Allocation of salesmarkets

State	2018 EUR	2017 EUR
Latvia	1 254 476	1 299 550
Total	1 254 476	1 299 550

(3) Costs of goods sold and services rendered

	2018 EUR	2017 EUR
Utility services expenses (energy and other services)	376 939	408 685
Personnel costs and social tax	192 457	172 673
Depreciation	76 244	70 739
Other operating costs	120 063	117 312
Transport expenses	14 075	10 870
Charges for land rent	6 035	7 173
Insurance costs (building)	5 072	5 155
Expenses for telecommunication	1 309	1 514
Depreciation of license	7	7
Bank service	406	313
Real estate tax (buildings, land)	9 938	30 888
Business travel expenses	5 783	1 426
Personnel training	52	123
Total	808 380	826 878

(4) Administrative expenses

	2018 EUR	2017 EUR
Salaries and social tax for administration	83 661	73 933
Transportation expenses for administration	14 075	10 870
Annual fee NASDAQ RIGA	7 436	7 120
Expenses for telecommunication	1 309	1 514
Office expenses	1 527	955
Lawyers' service fees	6 774	6 820
Audit costs	3 140	3 140
represent ,personal costs	2 626	158
Total	120 548	104 510

(5) Other operating income

	2018	2017
	EUR	EUR
Fines	904	1 723
Long-term revaluation decrease	8 185	8 119
Other income	420	2 044
Paid real estate tax refund received	14 919	
Municipal co-financing of building as a cultural monument preservation	0	14 000
Total	24 428	25 886

(6) Other operating expenses

	2018	2017
	EUR	EUR
Fines payment of income tax	816	564
Insurance compensation	1 477	1 411
Offerings to Latvian orphans fund	0	204
Bad debts write-off costs	0	5 847
Other expenses	0	21 846
Publishing expenses	0	54
Represent costs (60%)	0	285
Total	2 293	25 712

(7) Interest expenses and similar expenses :

	2018	2017
	EUR	EUR
Bank interest	111 671	105 121
Leasing interest	703	362
Total	112 374	105 483

(8) Corporate income tax

The corporate income tax for the reporting year is calculated in accordance with the requirements of the Law on Corporate Income Tax and applying a tax rate of 20% to the taxable base. The tax base includes the following taxable items: distributed profits and conditionally distributed profits.

In previous years, corporate income tax expense was included in the financial statements based on calculated taxable income by applying a tax rate of 15%. Accrued tax losses as at 31.12.2017. can be used within 5 years but not more than 50% of the calculated tax amount on dividends distributed.



(9) Intangible assets

	Concessions, patents, licences, brand names and other rights	Intangible assets total
	EUR	EUR
Aquisition cost		
31.12.2017	2 207	2 207
31.12.2018	2 207	2 207
Depreciation		
31.12.2017	2 158	2 158
Calculated depreciation	7	7
31.12.2018	2 165	2 165
Balance sheet on 31.12.2017	49	49
Balance sheet on 31.12.2018	42	42



(10) Tangible (fixed) assets

	Land and buildings	Other fixed assets and inventory	Advances for fixed assets	Fixed assets total
	EUR	EUR	EUR	EUR
Acquisition cost				
31.12.2017	6 274 605	260 294	0	6 534 899
Acquisitions	0	84 236	5 762	89 998
31.12.2018	6 274 605	344 530	5 762	6 624 897
Depreciation				
31.12.2017	743 910	232 901	0	988 335
Calculated depreciation	58 333	17 911		76 244
31.12.2018	802 243	250 812	0	1 053 055
Balance sheet on 31.12.2017	5 530 695	27 393	0	5 546 564
Balance sheet on 31.12.2018	5 472 362	93 719	5 762	5 571 843

Fixed asset item	Revaluation reserve for long-term investments	Revaluation reserve for long-term investments closing balance	Fixed asset value at the beginning of the period	Revaluation reserve for fixed assets reduction	Fixed asset value at the end of the period if no revaluation	Fixed asset value at the end of the period after revaluation
land parcels, buildings and engineering structures	665 655	657 470	5 041 906	-8 185	4 189 101	4 983 573

**(11) Trade receivables**

	31.12.2018	31.12.2017
	EUR	EUR
Trade debtors	8 383	11 488
Balance value	8383	11488

Allocation of currency:	31.12.2018	31.12.2017
	EUR	EUR
EUR	8 383	11 488
Total	8383	11 488

(12) Other receivables

	31.12.2018	31.12.2017
	EUR	EUR
VAT on advances	10 707	7 263
Advance purchase of fuel	403	528
Advance services provider	0	1 256
Other debtors	11 200	11 026
Tax overpaid	62	0
Total	22 372	20 073

(13) Deferred expenses

	31.12.2018	31.12.2017
	EUR	EUR
Ground rent for the 1st quarter in 2019	1 826	1 793
Insurance payments	2 808	2 753
Subscriptions 2019	678	772
Total	5 312	5318

(14) Cash

	31.12.2018	31.12.2017
	EUR	EUR
Cash at bank	331 815	204 669
Cash on hand	11 523	7 391
Total	343338	212060

(15) Share capital

Company capital is divided on shares	1 944 637
per value each EUR	1.40
	2 722 492

All the shares are paid. Detailed information see in note 26

**(16) Revaluation reserve for long-term investments**

	31.12.2018	31.12.2017
	EUR	EUR
Long term investment adjustment reserve	657 470	665655
Total	657470	665655

(17) Retained earnings or accumulated deficit:

Losses of previous years (31.12.2017)	-318 072 EUR
Profit of financial year	236 683 EUR
Losses of financial year	-81 389 EUR

(18) Loans from credit institutions

Allocation of currency:	31.12.2018	31.12.2017
	EUR	EUR
EUR (long term)	2 318 174	2 432 612
EUR (short-term)	144 000	140 343
Total	2 462 174	2 572 955

Main points of agreement/contract

Company name / name, surname	Principal amount, EUR	% rate	Term
SEB Banka	4 466 086	1.934%	111 671 18.05.2021.

(19) Other loans

	31.12.2018	31.12.2017
	EUR	EUR
SEB leasing		
long term, including loans under 5 years	57 117	
SEB leasing	57 117	
short term	13 445	5 045
	13 445	5 045

Main points of agreement/contract

Company name / name, surname	% rate	Term
SEB leasing	1.8%+3 month EURIBOR	25.07.2023
SEB leasing	2.25%+3 month EURIBOR	25.06.2023

Carrying value of Fixed assets acquired under finance lease at 31.12.2018 is 74 819 EUR (31.12.2017 - 0 EUR)
Leased assets serve as security for respective lease liabilities.

(20) Prepayments received from customers

	31.12.2018	31.12.2017
	EUR	EUR
Long term (security deposits of rents agreements)	47 273	30 547
Short term (security deposits of rents agreements and debts overpayment)	25 658	16 353
	72 931	46 900

Prepayment received from customers repayable in more than 5 years - 47 273 EUR.

**(21) Trade payables**

	31.12.2018	31.12.2017
	EUR	EUR
EUR	45 778	50 320
	45 778	50 320

(22) Taxes and the state social security contributions

Type of tax	Residual	Calculated	Paid	Residual
	31.12.2017			31.12.2018
	EUR	EUR	EUR	EUR
Value added tax	14174	153 060	159 728	7506
Social security contributions	6255	73 356	73 344	6267
Personal income tax	6565	41 930	41 492	7003
Real estate tax (buildings,land)	0	9 938	9 728	210
Corporation tax	5782	0	5 782	0
Company car tax	0	2388	2450	-62
State duties	6	66	66	6
Total	32782	280 738	292590	20930

During the financial year has been calculated and paid payment penalty: PIT- 816 EUR.

Including	31.12.2018	31.12.2017
	EUR	EUR
Tax overpayment	20992	32782
Tax debt	-62	0

(23) Other payables

	31.12.2018	31.12.2017
	EUR	EUR
Salaries for December	13 139	9 234
Total	13 139	9 234

(24) Accrued liabilities

	31.12.2018	31.12.2017
	EUR	EUR
Accrued liabilities for unused vacation	22 573	21 846
Accrued liabilities for services received	1 884	3 140
Total	24 457	24 986

(25) Related parties, transactions with related parties

In reporting period loans payemnts to subsidiary in amount of 60 000 EUR were made.

Information about subsidiary:

Ltd. "VEF Projekts ", reg.no. 40203161994, legal adress: Brīvības gatve 214,Rīga, LV-1039.

Percentage of participation - 100%

Subsidiary was registered in 2018 year, as a result information of subsidiarys equity, profit/loss is not published yet.

**Long-term financial investments**

	Investments in subsidiaries, EUR
Acquisition cost:	
at the beginning of the year	0
at the end of the year	3000
Value increase, including improvements	3000
Bilances vērtība:	
at the beginning of the year	0
at the end of the year	3000

(26) Additional information about the Company

The share capital of the Company consists of 623 528 bearer shares and 1 321 109 registered shares. 623,528 bearer shares are publicly traded and listed on the regulated market (Nasdaq Riga Baltic Second List). All shares give equal rights to dividends, receipt of liquidation quota and voting rights at the shareholders' meeting. All shares are dematerialized.

The disposal of bearer shares is not difficult and the shareholder has the right to freely dispose of bearer shares. Holders of name shares have pre-emptive rights in the case of alienation of registered shares.

There is no restriction on the right to vote, the right to a share of the distributed profit is proportional to the number of shares.

JSC VEF is not aware of any agreements that would restrict the exercise of shareholders' voting rights.

The powers of JSC VEF Board are determined by JSC VEF Statutes and Commercial Law norms. Board members have the right to represent the company only with at least one board member. The Board does not have any other special rights to the shares.

JSC VEF shares no special control rights.

JSC VEF is not aware of any other agreements and agreements referred to in the Financial Instruments Market Roundtable 561Article.

(27) Amount of company's employees during year **2018** **2017**

Average amount of company's employees during year 15 17

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

The remuneration of Member of the Board during year 2018 was 13 692 EUR, social security contributions - 2 960 EUR. The remuneration of Chairman of the Board during year 2018 was 54 000 EUR, social security contributions - 13 009 EUR. Members of the Council perform their duties free of charge.

(29) 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.

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

The Company has no off-balance sheet liabilities. According to the pledge agreement, all physical assets are pledged to the JSC SEB Bank, the maximum amount of the secured claim is EUR 5,386,000.

(31) 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". The Agreement enters into force upon its signing and the ownership of the land on the land is valid until the lessee.

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.

The Company signed financial instruments transaction agreement with SEB bank. Till 31.12.2018 The Company has losses of EUR 62,523 from this contract.

(32) Subsequent events

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements.

(33) Proposals or information on distribution of profit

The profit in amount of EUR 236 683 remains undistributed to cover the losses of the previous years.

(34) Going concern

As at 31 December 2018, the Company's current liabilities exceeded its current assets by EUR 130 729. Profit of the financial year is 236 683 EUR and according to the management believes 2019 year revenues will exceed expenses, as a result positive operating cash flow will be able to provide sufficient financing to continue operating as a going concern.

(35) Future development

In 2019, the Company's management plans to continue optimizing cash flow. In the next period, the management of the company plans to renovate the building at 214S Brivibas gatve in order to attract tenants. The Management Board of the Company stops its strategic plans in accordance with the economic situation in the country and the situation in the rental market. The Company will continue to provide its full range of services.

Gints Fenuks Chairman of the Board	<hr/> signature	25 March, 2019
Tamara Kampane Member of the Board Chief accountant	<hr/> signature	25 March, 2019
Martins Cauna Member of the Board	<hr/> signature	25 March, 2019

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 2018, 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 2018, 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 matter described below to be the key audit matter to be communicated in our report.

<i>Key audit matter</i>	<i>Audit response</i>
<p>Value of real estate</p> <p>As stated in note 10 to the financial statements, on 31 December 2018, the Company owns real estate with the carrying value of EUR 5 472 362 that comprises approximately 90% of the total assets value.</p>	<p>We have evaluated assumptions and methods used by management for assessment of recoverable amount of real estate.</p>

<p>Company's management have assessed recoverable amount of real estate.</p>	<p>We have critically considered management assessment of market value of real estate.</p>
<p>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.</p>	

Reporting on Other Information

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 Board's 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

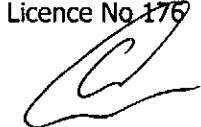
We were appointed by those charged with governance on 5 June 2018 to audit the financial statements of AS VEF for the year ended 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council 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.

Baltic Audit SIA
Company of Certified Auditors
Licence No. 176



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

25 March 2019
Riga, Latvia