

Joint Stock Company "Brivais vilnis"
Unified registration number 40003056186

ANNUAL REPORT FOR 2018
(AUDITED)

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INFORMATION ABOUT THE COMPANY

| | |
|---|--|
| Name of the Company | Joint Stock Company „Brivais vilnis” |
| Type of the Company | Corporation |
| Legal address of the Company | 1 Ostas Street, Salacgriva, Salacgriva region, LV-4033, Latvia |
| Registration number in the Company Register | 40003056186 |
| Names, surnames, positions of Members of the Board | Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Dace Bokmeldere, Member of the Board Kristaps Koškins, Member of the Board (until 13.02.2019) |
| Names, surnames, positions of Members of the Council | Anda Caune, Chairman of the Council (until 13.02.2019) Ilona Drikina, Deputy of Chairman of the Council Kaspars Vārpiņš, Member of the Council Edgars Rotkājs, Member of the Council (from 19.06.2018) Jurijs Lavriņenko, Member of the Council (until 14.02.2018) |
| Largest shareholders | “MŪSU INVESTĪCIJU FONDS” Ltd. Registration No.40003536860 56A Darzu Street, Jurmala, LV-2008, Latvia 97,41% of shares |
| Reporting year | 01.01.2018 - 31.12.2018 |
| Financial Statement Currency used | Euro (EUR) |
| Authorized member of the Board, authorized to sign the Annual Report | Arnolds Babris |
| Annual Report prepared by | Ilga Zēģele, Chief Accountant |
| Name and address of the auditor and the responsible certified auditor | Revidentu birojs Gatis Sviklis Lāsma Svikle SIA Certified audit company License No.181 123 - 15 Kr.Valdemara Street, Riga, LV-1013, Latvia Certified auditor in charge: Gatis Sviklis Certificate No.202 |

BALANCE SHEET AS AT 31 DECEMBER 2018

| Assets | Note No. | 31.12.2018 EUR | 31.12.2017 EUR |
|---------------------------------------|---------------------|---------------------------|---------------------------|
| Long-term investments | | | |
| Fixed assets | | | |
| Real estates | | 3 515 448 | 3 370 383 |
| land, buildings and constructions | | 3 515 448 | 3 370 383 |
| Technological equipment and machinery | | 45 293 | 115 306 |
| Other fixed assets and inventory | | 38 436 | 53 299 |
| Fixed assets under construction | | 527 | 113 927 |
| Total fixed assets | | 3 599 704 | 3 652 915 |
| Total long-term investments | 1 | 3 599 704 | 3 652 915 |
| Current assets | | | |
| Inventories | | | |
| Raw materials | 2 | 486 341 | 417 771 |
| Finished goods and goods for sale | 3 | 522 373 | 733 250 |
| Total inventories | | 1 008 714 | 1 151 021 |
| Receivables | | | |
| Trade receivables | 4 | 754 748 | 939 565 |
| Other receivables | 5 | 33 876 | 79 650 |
| Prepaid expenses | 6 | 3 624 | 3 674 |
| Total receivables | | 792 248 | 1 022 889 |
| Cash | 7 | 160 491 | 21 325 |
| Total current assets | | 1 961 453 | 2 195 235 |
| Total assets | | 5 561 157 | 5 848 150 |

Notes on pages 9 to 20 form an integral part of these financial statements.

| Liabilities and shareholders` funds | Note No. | 31.12.2018 EUR | 31.12.2017 EUR |
|---|---------------------|---------------------------|---------------------------|
| Shareholders` funds | | | |
| Share capital (equity capital) | | 4 339 230 | 4 339 230 |
| Long-term investments revaluation reserve | 8 | 2 008 168 | 2 038 823 |
| Share capital denomination reserve | | 70 890 | 70 890 |
| Previous years` accumulated loss | | (4 829 505) | (3 707 245) |
| Loss of the reporting year | | (386 238) | (1 122 260) |
| Total shareholders` funds | | 1 202 545 | 1 619 438 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Loans from credit institutions | 9 | 1 898 780 | 1 796 750 |
| Other loans | 10 | 2 023 | 5 882 |
| Taxes and the state compulsory social insurance contributions | 11 | 1 290 392 | 893 337 |
| Deferred income | 12 | - | 9 331 |
| Total non-current liabilities | | 3 191 195 | 2 705 300 |
| Current liabilities | | | |
| Loans from credit institutions | 9 | - | 274 |
| Other loans | 10 | 24 232 | 87 664 |
| Customer advances | | 4 348 | 80 415 |
| Accounts payable to suppliers and contractors | | 629 737 | 921 736 |
| Taxes and the state compulsory social insurance contributions | 11 | 222 104 | 128 490 |
| Other liabilities | 13 | 134 604 | 136 125 |
| Deferred income | 12 | 10 526 | 24 650 |
| Accrued liabilities | 14 | 141 866 | 144 058 |
| Total current liabilities | | 1 167 417 | 1 523 412 |
| Total liabilities | | 4 358 612 | 4 228 712 |
| Total liabilities and shareholders` funds | | 5 561 157 | 5 848 150 |

Notes on pages 9 to 20 form an integral part of these financial statements.

**PROFIT AND LOSS STATEMENT FOR THE YEAR
ENDED 31 DECEMBER 2018**

| | Note No. | 2018 EUR | 2017 EUR |
|---|---------------------|--------------------------------|----------------------------------|
| Net sales | 15 | 7 499 801 | 6 805 205 |
| Cost of sales | 16 | <u>(6 932 563)</u> | <u>(6 573 807)</u> |
| Gross profit | | 567 238 | 231 398 |
| Selling expenses | 17 | (162 955) | (176 250) |
| Administrative expenses | 18 | (791 226) | (746 369) |
| Other operating income | 19 | 305 746 | 312 126 |
| Other operating expenses | 20 | (195 195) | (613 547) |
| Interest expenses and similar expenses | 21 | <u>(106 223)</u> | <u>(129 618)</u> |
| Loss before corporate income tax | | <u>(382 615)</u> | <u>(1 122 260)</u> |
| Corporate income tax for the reporting year | | (3 623) | - |
| Loss of the reporting year | | <u><u>(386 238)</u></u> | <u><u>(1 122 260)</u></u> |
| Loss per share | | (0.125) | (0.362) |

Notes on pages 9 to 20 form an integral part of these financial statements.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31
DECEMBER 2018**

| | 2018 EUR | 2017 EUR |
|---|---------------------|---------------------|
| Cash flow from operating activities | | |
| Loss before extraordinary items and taxes | (382 615) | (1 122 260) |
| <i>Corrections:</i> | | |
| Correction of fixed assets depreciation | 158 170 | 173 974 |
| Interest payable and similar expenses | 106 223 | 129 618 |
| Long-term investment revaluation reserve write-off | (30 655) | (30 656) |
| Profit or loss before corrections of the current assets and current liabilities | | |
| balance change impact | (148 877) | (849 324) |
| Increase or decrease of receivables | 230 641 | 483 365 |
| Increase or decrease of inventories | 142 307 | 232 996 |
| Increase or decrease of suppliers, contractors and other creditors | | |
| payable debt balance | 92 733 | 362 056 |
| Cash from gross operating activities | 316 804 | 229 093 |
| Interest paid | (106 497) | (129 344) |
| Corporate income tax payments | (921) | - |
| Net cash flow from operating activities | 209 386 | 99 749 |
| Cash flow from investing activities | | |
| Purchase of fixed and intangible assets | (104 959) | (130 278) |
| Net cash flow of investing activities | (104 959) | (130 278) |
| Cash flow from financing activities | | |
| Loans received | 102 030 | 198 367 |
| Loans repaid | - | (80 000) |
| Lease payments | (67 291) | (73 461) |
| Net cash flow from financing activities | 34 739 | 44 906 |
| Net cash flow of the reporting year | 139 166 | 14 377 |
| Cash and cash equivalents at beginning of the reporting year | 21 325 | 6 948 |
| Cash and cash equivalents at end of the reporting year | 160 491 | 21 325 |

Notes on pages 9 to 20 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2018**

| | 2018 EUR | 2017 EUR |
|--|---------------------|---------------------|
| Share capital (equity capital) | | |
| Amount from previous year`s balance sheet | 4 339 230 | 4 339 230 |
| Amount in balance sheet of the reporting year at the end of period | 4 339 230 | 4 339 230 |
| Long-term investments revaluation reserve | | |
| Amount from previous year`s balance sheet | 2 038 823 | 2 069 479 |
| Increase / decrease of long-term investments revaluation reserve balance | (30 655) | (30 656) |
| Amount in balance sheet of the reporting year at the end of period | 2 008 168 | 2 038 823 |
| Reserves | | |
| Amount from previous year`s balance sheet | 70 890 | 70 890 |
| Amount in balance sheet of the reporting year at the end of period | 70 890 | 70 890 |
| Retained earnings | | |
| Amount from previous year`s balance sheet | (4 829 505) | (3 707 245) |
| Increase / decrease of retained earnings | (386 238) | (1 122 260) |
| Amount in balance sheet of the reporting year at the end of period | (5 215 743) | (4 829 505) |
| Equity | | |
| Amount from previous year`s balance sheet | 1 619 438 | 2 772 354 |
| Amount in balance sheet of the reporting year at the end of period | 1 202 545 | 1 619 438 |

Notes on pages 9 to 20 form an integral part of these financial statements.

APPENDIX TO THE FINANCIAL STATEMENTS

INFORMATION ABOUT THE COMPANY

Joint Stock Company “Brivais vilnis” (hereinafter - “the Company”) is registered in Company Register of the Republic of Latvia on February 7, 1992. The Company’s main activity is processing and canning of fish, shellfish and molluscs (NACE code 10.20).

INFORMATION ON ACCOUNTING POLICY USED

Base for preparation of the Annual Report

Annual Report is prepared in accordance with the laws of the Republic of Latvia “Accounting Law”, “Law on annual reports and consolidated annual reports” and regulations No.775 of the Cabinet of Ministers “Law on annual reports and consolidated annual reports application regulations”, based on the going-concern assumption.

Income statement is classified by function of expense.

Cash flow statement is based on the indirect method.

Compared to the previous reporting year the Company’s accounting and valuation methods have not changed.

Currency

Results displayed in these financial statements are in *Euros* (EUR).

All dealings in foreign currencies are revaluated in Euro by applying the official exchange rate of the European Central Bank on the date of the beginning of business transaction.

Foreign currency cash balances and foreign currencies made advances, loans or loan balances, as well as debtor and creditor balances payable in foreign currencies in the financial statements are shown by converting into Euro according to the European Central Bank’s published rate in force in the end of last day of the reporting year. Foreign currency exchange rate fluctuation profit or loss is recognized in profit or loss statement.

Use of estimates

In the preparation of financial statements, management is required to make estimates and assumptions that impact balances disclosed under certain balance sheet and profit and loss statement items, including the amount of potential liabilities. Future events may impact the assumptions underlying these estimates. Any impact from changes in estimates is disclosed in the financial statements as determined.

Accounting of long-term investments and current assets

Long-term investments are assets for long-term use (more than 12 months after the end of reporting year) or invested in durable property. The rest assets are current assets. In the Balance sheet specific asset item is indicated as long-term investments or current assets, depending on the purpose for that it is intended.

For each item of receivables in the balance sheet are separately indicated amounts to be received within a year and to be received later than one year after the balance sheet date.

Fixed assets accounting

Fixed assets in the balance sheet are indicated in net value, calculated from the initial value of fixed assets, deducting depreciation and all the write-offs made.

Fixed assets are taken into accounting in accordance with the initial cost – purchase price or production cost. In future, land and buildings that fair value can be assessed with reasonable confidence, after initial recognition are stated at revaluated amount that is equal to its fair value at the date of revaluation, less accumulated depreciation and impairment loss. Revaluation of land and buildings is performed regularly, depending on changes in fair value. Difference arising on revaluation is recognized in equity under “Long-term investments revaluation reserve”, but the impairment is written off from the asset appreciation, credited in previous year reserve, including the excess in profit and loss statement. Revaluation reserves are allocated to income in the profit and loss statement for the relevant part of annual depreciation volume of the revaluated asset, but at expropriation or liquidation of assets, reserves are written down for the rest of the value.

The initial accounting cost of the fixed asset is gradually written off over its useful life, using the straight-line depreciation method. Land is not depreciated. Depreciation method for each fixed asset is set by an order of the management. In general, they are as follows:

| | <i>% per year</i> |
|---|-------------------|
| Buildings and constructions | 1-5 |
| Technological equipment and machinery, vehicles | 20 |
| Software | 33 |
| Other fixed assets | 10 - 50 |

Inventories

Inventories are stated at purchase costs according to the “first in – first out” (FIFO) method. Stock accounting is organized by the continuous stock accounting method. Stock is counted under the actual cost or market price, if it is lower than the actual cost. If necessary, for obsolete, slow moving and defective stock is made provision whether they are written-off.

Accounts receivables

Accounts receivables are valued in accordance with the precautionary principle and in balance sheet are recognized at net value, the accounting value less allowance for doubtful receivables.

Allowances for doubtful trade receivables are created by the management, individually assessing recoverability of each debt.

Deferred costs

Payments made before the balance sheet date, but are related to the subsequent financial years, are indicated in the balance sheet item “Deferred costs”.

Cash

Cash and cash equivalents represent cash on hand and bank accounts.

Accounts payable

Certain liabilities in the balance sheet are given as long-term creditors and short-term payables, depending on the debt payment or settlement date. Long-term payables include liabilities that payment term is later than 12 months after the end of respective reporting year and that incurred to finance the long-term investments and current assets or to cover liabilities that are not to be included in short-term payables. Short-term payables include the amounts that are due and payable within 12 months after the end of reporting year, and the other obligations, arising from the Company’s normal operating cycle.

Lease

Finance leases, under that all the risks and benefits, resulting from the ownership of the leased item, are transferred to the Company, are recognized in the balance sheet as fixed assets for an amount that at starting of lease complies with the fair value of the leased property, or, if it is lower, the current value of minimum lease payments. Finance lease payments are divided between financial costs and decrease in the liability to provide a constant rate on the outstanding balances. Financial costs are included in the income statement as interest costs.

If there are sufficient grounds to believe that at the end of lease period the subject of the lease will obtain ownership. The expected time of use is assumed as the useful life of the asset. In all other cases, capitalized leased assets are depreciated using the straight-line method, during the assets estimated useful life or the lease term, depending on which of these periods is shorter.

Leases under that substantially all the risks of ownership takes and rewards earns the lessor, are classified as operating leases. Operating lease payments are recognized as an expense over all the lease period on a straight-line basis. The Company’s liabilities arising from operating lease contracts are recorded as off-balance sheet liabilities.

Accrued liabilities

Clearly known liabilities to suppliers of goods and services for goods and services received in the reporting year for that is not received to the balance sheet date an appropriate, for payment provided source document (invoice) due to the supply, purchase or contract terms and conditions or other reasons and estimated liabilities against employees for unused vacation days of the reporting year, are recognized in the balance sheet item “Accrued liabilities”.

Previously, liabilities to employees for unused vacation days were presented in the balance sheet item “Provisions for vacations”. Changes have been made in accordance with regulation No.775 of the Cabinet of Ministers “Law on annual reports and consolidated annual reports application regulations” that entered into force on the 1st January of 2016.

Revenue recognition

Revenue from sale of goods is recognized, if all of the following conditions are met:

- 1) The Company has transferred to the buyer significant risks and rewards specific for ownership of goods;
- 2) The Company doesn't retain further management rights associated with ownership and real control over the goods sold;
- 3) It is believable that the Company will receive the economic benefits related to the transaction;
- 4) Can be reliable estimated costs incurred or to be incurred in connection with the transaction.

Revenue from services is recognized in period in that services are provided.

Corporate income tax

Corporate income tax expenses for the reporting year are included in the financial statements based on the calculations made by the management in accordance with tax legislation of the Republic of Latvia.

On July 28, 2017, a new Corporate Income Tax Law was adopted, which stipulates that from January 1, 2018, the corporate income tax is levied on profit that arose after 2017 if it is distributed or conditionally distributed profit arise.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax Law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax Law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item “Corporate income tax for the reporting year” and disclosed by the components in the notes to the financial statements.

Related parties

As related parties are defined the Company's shareholders, members of the Board, members of the Council, their close family members and companies in that those persons have control or significant influence.

The Company provides information about its transactions with related parties, if such transactions are significant and do not comply with normal market conditions, indicating the amounts of these transactions, relation type of related parties and other information about these transactions, necessary for an understanding of financial situation of the Company.

SHARE CAPITAL

(Information under the Financial Instrument Market Law, Article 56)

The share capital of the Company is EUR 4 339 230.

The Company's share capital consists of 3 099 450 bearer shares with voting rights.

The nominal value of each share is EUR 1.40.

All shares have been released in book-entry form. All shares have equal rights to dividends, liquidation quota and voting rights at shareholders' meeting.

As from the 21st of May 2007, all shares of the Company are listed in Baltic Secondary list of the “NASDAQ RIGA”.

The largest shareholder is the company “MŪSU INVESTĪCIJU FONDS” Ltd. (97.41% of shares) that is registered in the Republic of Latvia.

There are no restrictions for alienation of shares or receiving of special consent for alienation of shares.

There are no shareholders with special control rights. Shareholders' rights are governed by legislation of the Republic of Latvia. In Statutes of the Company there are not stated restrictions or provisions relating to the right to vote. The Company is not aware of any shareholders agreement.

Election of members of the Board, changes in content of the Board and amendment of the Statutes is performed in accordance with requirements of the Latvian legislation and the Company's Statutes.

Authority of members of the Board is determined by the Commercial Law and the Company's Statutes. Members of the Board are not authorized to issue or to redeem shares without authorization of the shareholders' meeting.

There are no significant agreements and contracts concluded by the target company and that provides they enter into force in case of change of control.

There are no agreements between the Company and its members of the Board that provide compensation in cases, when they resign, they are released without a valid reason or they are released after the share redeem offer was made.

INFORMATION ON OFF-BALANCE SHEET LIABILITIES AND PLEDGED ASSETS

The following agreements have been signed with respect to the security for the loan from the JSC “Baltic International Bank”:

- 1) Mortgage agreement No.622/0108/h signed on August 28, 2000, its annexes and additions according to which the Company transfers to the bank pledge rights on its real estate.
- 2) Mortgage agreement No.25/24/04-139 signed on July 21, 2004, its annexes and additions according to which the Company transfers to the bank pledge rights on its real estate.
- 3) Pledge agreement No.622/0108/ķ1 signed on August 1, 2000, its annexes and additions according to which the Company transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property.
- 4) Pledge agreement No.18/15/10-139 signed on September 10, 2010, its annexes and additions and Pledge agreement No.02/27/04-139 signed on August 20, 2004 and Agreement on renewal of Pledge agreement signed on January 30, 2015, according to which “MŪSU INVESTĪCIJU FONDS” Ltd. pledges to the benefit of the JSC “Baltic International Bank” its public issue shares of the JSC “Brivais vilnis”.

In Limbazi Land Register department of the Regional Court of Vidzeme are consolidated lease rights to premises of pass office with pumping station until August 11, 2019 (cadaster 6615-009-0080-002), leaseholder Tourism promotion and development association of Salacgriva region.

In Limbazi Land Register department of the Regional Court of Vidzeme are consolidated lease rights to the construction – Pier No.3 with cadaster number 66150090007011, lease term – August 18, 2025, leaseholder Salacgriva Port authority.

Finance lease assets acquired are pledged as security for related finance lease liabilities.

Lease agreement with the “Swedbank Līzings” Ltd. was signed on July 27, 2016 (operational lease of a vehicle). The monthly lease payment is EUR 351. The agreement expires on August 15, 2021.

The Company's management is not aware of any other pledged assets, off-balance sheet commitments, issued guarantees, court proceedings, etc., that could affect the Company's financial situation as at 31 December 2018.

| Personnel costs | 2018 EUR | 2017 EUR |
|---|---------------------|---------------------|
| Wage and salary | 2 151 007 | 2 054 297 |
| The state compulsory social insurance contributions | 514 085 | 480 757 |
| Total | 2 665 092 | 2 535 054 |

Inter alia, remuneration of the key management**Chairman of the Board:**

| | | |
|---|---------------|---------------|
| Wage and salary | 21 885 | 21 632 |
| The state compulsory social insurance contributions | 5 272 | 5 103 |
| Total | 27 157 | 26 735 |

Members of the Council and other members of the Board do not receive compensation for their work on Board and Council.

Number of employees

| | 2018 | 2017 |
|--|-------------|-------------|
| Average number of members of the Board during the reporting year | 4 | 4 |
| Average number of other employees during the reporting year | 246 | 260 |
| Total | 250 | 264 |

ADVANCES, LOANS AND GUARANTEES ISSUED TO MANAGEMENT

| | 31.12.2018 EUR | Refunded EUR | Issued EUR | 31.12.2017 EUR |
|----------------------------------|---------------------------|-------------------------|-----------------------|---------------------------|
| Advances to members of the Board | 1 274 | (3 518) | 3 738 | 1 054 |
| Total | 1 274 | (3 518) | 3 738 | 1 054 |

The Company has not issued loans or guarantees to the Company's management during the reporting year.

COSTS FOR CERTIFIED AUDITOR SERVICES

Auditor's remuneration for audit of financial statement for 2018 is EUR 6 100. Other services of certified auditors company have not been received during the reporting year.

PROPOSAL FOR LOSS COVERING

Losses of reporting and previous years are intended to cover by the Company's capital.

GOING CONCERN

The financial result of the Company's economic activity in 2018 is a loss of EUR 386 238. At the end of reporting year, the Company's liabilities exceed its current assets by EUR 2 397 159, while the short-term liabilities are less than the current assets by EUR 794 036. According to unaudited data, as at March 31, 2019, the liabilities of the Company exceed its current assets by EUR 2 302 846 and the short-term liabilities are less than the current assets by EUR 886 326. As at December 31, 2018, the Company had positive shareholders' funds of EUR 1 202 545. Taking into account the above, the Board of the Company believes that the Company will be able to settle liabilities with the short-term creditors in 2018 and there will be no liquidity problems. The Company's goal in 2019 is to continue to work on additional sales market acquisition and to optimize the cost structure. The Company is also ready to increase export volumes in Ukraine and Central Asia as soon as the regions improve their economic situation and increase their purchasing power. Based on the above, the Company's management believes that the going-concern principle is applicable in the preparation of these financial statements.

INFORMATION ON EVENTS AND TRANSACTIONS THAT DIFFER FROM THE NORMAL OPERATIONS

During the financial year the Company had no events or transactions that are clearly different from the Company's normal operations.

INFORMATION ON RELEVANT EVENTS AFTER THE BALANCE SHEET DATE

On February 28, 2019, an extraordinary shareholders' meeting took place, where shareholders decided to delist shares of the JSC "Brivais vilnis" from the regulated market.

During the period from the last date of reporting year to the date of signing of these financial statements there have been no other significant events that would result in adjustments to the financial statements or that should be explained in the financial statement.

BALANCE SHEET ITEMS NOTES**Note No. 1****Long-term investments****Intangible assets**

| | Concessions, patents, licenses, trademarks and similar rights |
|---------------------------------------|--|
| | EUR |
| Cost | |
| 31.12.2017 | 44 562 |
| 31.12.2018 | 44 562 |
| Accumulated amortization | |
| 31.12.2017 | 44 562 |
| 31.12.2018 | 44 562 |
| Balance sheet value 31.12.2017 | - |
| Balance sheet value 31.12.2018 | - |

| Fixed assets | Land, buildings and constructions | Technological equipment and machinery | Other fixed assets and inventory | Fixed assets under construction | Total |
|---------------------------------------|--|--|---|--|------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Initial value | | | | | |
| 31.12.2017 | 4 108 718 | 1 660 037 | 801 774 | 113 927 | 6 684 456 |
| Purchased | - | 6 800 | 7 181 | 90 978 | 104 959 |
| Disposed | - | (11 379) | (2 401) | - | (13 780) |
| Reclassified | 204 378 | - | - | (204 378) | - |
| 31.12.2018 | 4 313 096 | 1 655 458 | 806 554 | 527 | 6 775 635 |
| Accumulated depreciation | | | | | |
| 31.12.2017 | 738 335 | 1 544 731 | 748 475 | - | 3 031 541 |
| Calculated depreciation | 59 313 | 76 813 | 22 044 | - | 158 170 |
| Depreciation of disposed fixed assets | - | (11 379) | (2 401) | - | (13 780) |
| 31.12.2018 | 797 648 | 1 610 165 | 768 118 | - | 3 175 931 |
| Balance sheet value 31.12.2017 | 3 370 383 | 115 306 | 53 299 | 113 927 | 3 652 915 |
| Balance sheet value 31.12.2018 | 3 515 448 | 45 293 | 38 436 | 527 | 3 599 704 |

The Company performs regular real estate value change control, revaluating those estates, where significant changes in the long-term value exist. At the moment all real estates, which had the potential of change the long-term value, are revaluated.

Note No. 2**Raw materials**

| | 31.12.2018 | 31.12.2017 |
|---------------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Raw materials and auxiliary materials | 486 341 | 417 771 |
| Total | 486 341 | 417 771 |

Note No. 3**Finished goods and goods for sale**

| | 31.12.2018 | 31.12.2017 |
|-----------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Finished goods and goods for sale | 522 373 | 733 250 |
| Total | 522 373 | 733 250 |

Note No. 4**Trade receivables**

| | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Accounting value of trade receivables | 1 189 370 | 1 629 033 |
| Provisions for doubtful trade receivables | (434 622) | (689 468) |
| Total | 754 748 | 939 565 |

Provisions for doubtful trade receivables

| | 2018 | 2017 |
|--|----------------|----------------|
| | EUR | EUR |
| Provisions at beginning of the year | 689 468 | 547 837 |
| Increase / (write-off) in the reporting year | (254 846) | 141 631 |
| Total | 434 622 | 689 468 |

Debts of buyers and customers are deliberate and are to be considered as debts with commercial scale settlement risk. The management believes that receivables are realistic and customers will pay regardless of contractual delays.

Note No. 5**Other receivables**

| | 31.12.2018 | 31.12.2017 |
|---------------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Tax receivables (see also note No.11) | 14 808 | 12 196 |
| Other receivables | 19 068 | 67 454 |
| Total | 33 876 | 79 650 |

Note No. 6**Prepaid expenses**

| | 31.12.2018 | 31.12.2017 |
|-------------------------|-------------------|-------------------|
| | EUR | EUR |
| Property insurance | 2 731 | 2 118 |
| Media subscriptions | 195 | 357 |
| Other deferred expenses | 698 | 1 199 |
| Total | 3 624 | 3 674 |

Note No. 7

| Cash | 31.12.2018 EUR | 31.12.2017 EUR |
|---|---------------------------|---------------------------|
| Cash on accounts of credit institutions | 145 017 | 8 664 |
| Cash on hand | 15 474 | 12 661 |
| Total | 160 491 | 21 325 |

Note No. 8

Long-term investments revaluation reserve

| Item of fixed assets | Value of item “Long-term investments revaluation reserve” at the beginning of reporting period EUR | Value of item “Long-term investments revaluation reserve” at the end of reporting period EUR | Value of fixed assets at the beginning of period EUR | Reduction correction of fixed assets revaluation reserve EUR | Value of fixed assets at the end of period, if revaluation was not made EUR |
|-----------------------------|--|--|--|--|---|
| Real estate | 2 038 823 | 2 008 168 | 3 538 988 | 30 655 | 1 362 215 |
| TOTAL | 2 038 823 | 2 008 168 | 3 538 988 | 30 655 | 1 362 215 |

Note No. 9

Loans from credit institutions

| | Interest rate | Repayment date | 31.12.2018 EUR | 31.12.2017 EUR |
|--|--------------------------|---------------------------|---------------------------|---------------------------|
| Loan from JSC "Baltic International Bank": | 5.57% | 31.01.2020 | | |
| long-term part | | | 1 898 780 | 1 796 750 |
| short-term part | | | - | 274 |
| Total | | | 1 898 780 | 1 797 024 |

Note No. 10

Other loans

| | | Repayment date | 31.12.2018 EUR | 31.12.2017 EUR |
|--|----------------------|-----------------------|-------------------|-------------------|
| Long - term: | Interest rate | | | |
| Finance lease liabilities (long-term part): | | | | |
| "Swedbank lizings" Ltd. | 3.3% + 6m EURIBOR | 15.07.2020 | 2 023 | 5 882 |
| Total | | | 2 023 | 5 882 |
| | | | 31.12.2018 EUR | 31.12.2017 EUR |
| Short - term: | Interest rate | Repayment date | | |
| Finance lease liabilities (short-term part): | | | | |
| "Swedbank lizings" Ltd. | 3.3% + 6m EURIBOR | 15.07.2020 | 3 859 | 3 559 |
| "Citadele lizings un faktoring" Ltd. | 3.8% + 6m EURIBOR | 15.12.2018 | - | 17 483 |
| "Citadele lizings un faktoring" Ltd. | 3.8% + 6m EURIBOR | 15.10.2018 | - | 32 850 |
| "Citadele lizings un faktoring" Ltd. | 3.8% + 6m EURIBOR | 15.01.2018 | - | 575 |
| Current assets against accounts receivable (factoring): | | | | |
| "Swedbank lizings un faktoring" Ltd. | 3.0% + 6m EURIBOR | | 20 373 | 33 197 |
| Total | | | 24 232 | 87 664 |

Note No. 11

Taxes and the state compulsory social insurance contributions

| | Balance 31.12.2017 | Calculated | Paid, recovered or directed | Delay and corrections | Balance 31.12.2018 |
|--------------------------------|-----------------------|----------------|-----------------------------------|--------------------------|-----------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Corporate income tax | - | 3 623 | (921) | - | 2 702 |
| Value added tax | (12 196) | (404 859) | 402 247 | - | (14 808) |
| Personal income tax | 469 620 | 313 819 | (95 219) | 661 | 688 881 |
| Social insurance contributions | 547 049 | 748 533 | (479 718) | 5 | 815 869 |
| Business risk duty | 101 | 1 082 | (1 086) | - | 97 |
| Real estate tax | - | 19 522 | (19 522) | - | - |
| Natural resource tax | 5 057 | 17 742 | (17 852) | - | 4 947 |
| Total | 1 009 631 | 699 462 | (212 071) | 666 | 1 497 688 |
| inter alia: | | | | | |
| Overpaid taxes * | (12 196) | | | | (14 808) |
| Debt to budget | 1 021 827 | | | | 1 512 496 |
| inter alia: | | | | | |
| long-term part ** | 893 337 | | | | 1 290 392 |
| short-term part | 128 490 | | | | 222 104 |

*) Tax overpayment is presented in the balance sheet under "Other debtors".

**) In 2015 – 2017 and in the reporting year, according to the Company's applications, the State Revenue Service took decisions to grant the Company *de minimis* support and to split payments of the state compulsory social insurance contributions and income tax payments to periods. Tax debts that payment deadline is after one year from the balance sheet date, are recorded under long-term liabilities of the balance sheet.

Note No. 12

| Deferred income | 31.12.2018 | 31.12.2017 |
|------------------------|-------------------|-------------------|
| | EUR | EUR |
| Long-term part | - | 9 331 |
| Short-term part | 10 526 | 24 650 |
| Total | 10 526 | 33 981 |

In 2014 the Company has received the public funding to the Project No.13-00-Z20500-000024 „Purchase of specialized technological equipment and handling facilities and equipment for the production of canned fish” program from the Rural Support Service. In 2015 the Company received the public funding to the project No.14-00-Z20500-000027 from the Rural Support Service.

The Company presents the financing in deferred income and in proportion of equipment depreciation calculation of interest set, includes in annual income of the report.

Note No. 13

| Other liabilities | 31.12.2018 | 31.12.2017 |
|--------------------------|-------------------|-------------------|
| | EUR | EUR |
| Unpaid wages | 132 909 | 133 145 |
| Other liabilities | 1 695 | 2 980 |
| Total | 134 604 | 136 125 |

Note No. 14

| Accrued liabilities | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Accrued liabilities for employee vacations pay | 135 766 | 137 958 |
| Accrued liabilities for services received during the reporting year | 6 100 | 6 100 |
| Total | 141 866 | 144 058 |

PROFIT AND LOSS STATEMENT ITEMS NOTES**Note No. 15**

| Net sales | 2018 | 2017 |
|--|------------------|------------------|
| | EUR | EUR |
| Processing and canning of fish, shellfish and molluscs (NACE code 10.20) | 7 499 801 | 6 805 205 |
| Total | 7 499 801 | 6 805 205 |

Information on net sales by geographical markets is not provided, because the Company`s management believes that this information could seriously harm the Company`s interests.

Note No. 16

| Cost of sales | 2018 | 2017 |
|----------------------|------------------|------------------|
| | EUR | EUR |
| Raw materials | 4 276 038 | 3 979 895 |
| Personnel costs | 2 029 751 | 1 889 599 |
| Energy | 285 842 | 296 421 |
| Depreciation | 140 461 | 155 118 |
| Other cost of sales | 200 471 | 252 774 |
| Total | 6 932 563 | 6 573 807 |

Note No. 17

| Selling expenses | 2018 | 2017 |
|----------------------------------|----------------|----------------|
| | EUR | EUR |
| Distribution costs and marketing | 57 274 | 50 818 |
| Personnel costs | 89 575 | 90 100 |
| Depreciation | 162 | 162 |
| Other selling expenses | 15 944 | 35 170 |
| Total | 162 955 | 176 250 |

Note No. 18

| Administrative expenses | 2018 | 2017 |
|---|----------------|----------------|
| | EUR | EUR |
| Personnel costs | 497 384 | 454 210 |
| Depreciation of fixed and intangible assets | 14 980 | 12 271 |
| Bank services | 5 929 | 5 943 |
| Other external expenses | 129 869 | 126 362 |
| Other administrative expenses | 121 990 | 124 323 |
| Donations, social assistance | 21 074 | 23 260 |
| Total | 791 226 | 746 369 |

Note No. 19

| Other operating income | 2018 | 2017 |
|---|----------------|----------------|
| | EUR | EUR |
| Income from utilities | 103 658 | 90 024 |
| Income from sales of current assets | 32 904 | 74 458 |
| Income from auxiliary services | 69 921 | 58 461 |
| Income from lease of premises | 27 406 | 18 278 |
| Public funding from the “Rural Support Service” (the part relating to revenues of the reporting year) | 26 430 | 26 647 |
| Income from foreign exchange rate fluctuations, net | 2 537 | - |
| Income from long-term investments revaluation reserve write-off | 30 655 | 30 656 |
| Other operating income | 12 235 | 13 602 |
| Total | 305 746 | 312 126 |

Note No. 20

| Other operating expenses | 2018 | 2017 |
|--|----------------|----------------|
| | EUR | EUR |
| Utility cost | 99 606 | 97 228 |
| Auxiliary service cost | 49 297 | 46 686 |
| Written-off receivables, provisions for doubtful receivables | 11 442 | 374 446 |
| Penalty | 2 235 | 1 221 |
| Loss from foreign exchange rate fluctuations, net | - | 22 851 |
| Loss from foreign currency exchange, net | 2 186 | 1 140 |
| Other costs | 30 429 | 69 975 |
| Total | 195 195 | 613 547 |

Note No. 21

Interest expenses and similar expenses

| | 2018 | 2017 |
|----------------------------|-----------------------|-----------------------|
| | EUR | EUR |
| Interest expenses on loans | <u>106 223</u> | <u>129 618</u> |
| Total | <u>106 223</u> | <u>129 618</u> |

Authorized member of the Board of the Joint Stock Company “Brivais vilnis”:

Chairman of the Board



Arnolds Babris

29.04.2019

Financial statements prepared by:

Chief Accountant



Ilga Zēģele

MANAGEMENT REPORT

The types of activities performed by the Joint Stock Company “Brivais vilnis” (“the Company”) are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, and other commercial activities classified nowhere else.

Year 2018 is the 27th year of operation since the Company was transformed into a Joint Stock Company.

The Company is a leader in product quality, does not use genetically modified raw materials, synthetic food additives and flavour enhancers in the production.

In 2018 the Company produced a total of 13.4 million cans of various types (167) of canned fish products, including 5.2 million cans of smoked sprats. 14.1 million cans were sold for EUR 7.5 million that is 8% more compared to the previous year.

Impact on decrease of sales volumes of the Company had the stated economic embargo of the Russia, devaluation of the Ukrainian hryvnia, decline in purchasing power of the Transcaucasian and Central Asian countries, as well as was affected by the tough competition in the canned fish sales market in Europe and America.

The Company's economic result for 2018 is a loss of EUR 386 238. In the 2nd half of 2018 the Company worked without losses.

Financial risks. The main financial risks related to the Company's financial instruments are currency risk, interest rate risk, liquidity risk and credit risk.

Currency risk. Financial assets of the Company, subject to foreign currency risk include receivables. This is primarily due to the US dollar currency risk.

Interest rate risk. The Company is exposed to the interest rate risk mainly in relation to its short-term and long-term borrowings.

Credit risk. The Company is exposed to the credit risk through its trade receivables. The Company controls its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, the Company continuously controls the accounts receivables balances to minimize the possibility of bad debts.

Liquidity risk. The Company controls its liquidity risk through the bank credit granted and through the factoring.

The financial result of the Company's economic activity in 2018 is a loss of EUR 386 238. At the end of reporting year, the Company's liabilities exceed its current assets by EUR 2 397 159, while the short-term liabilities are less than the current assets by EUR 794 036. According to unaudited data, as at March 31, 2019, the liabilities of the Company exceed its current assets by EUR 2 302 846 and the short-term liabilities are less than the current assets by EUR 886 326. As at December 31, 2018, the Company had a positive shareholders' funds of EUR 1 202 545. Taking into account the above, the Board of the Company believes that the Company will be able to settle liabilities with the short-term creditors in 2019 and there will be no liquidity problems. The Company's goal in 2019 is to continue to work on additional sales market acquisition and to optimize the cost structure. The Company is also ready to increase export volumes in Ukraine and Central Asia as soon as the regions improve their economic situation and increase their purchasing power. Based on the above, the Company's management believes that the going-concern principle is applicable in the preparation of these financial statements.

We are continuing to work on development of new product types. We are planning to coordinate the cooperation with other canned fish producers to reduce costs related to the acquisition of external markets.

Electronic form of the Corporate Governance Report for 2018 is available on the website of “NASDAQ RIGA” www.nasdaqbaltic.com.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

29.04.2019

REPORT ON MANAGEMENT’S RESPONSIBILITY

The Board of the Joint Stock Company “Brivais vilnis” is responsible for the preparation of the Company’s financial statements.

The Board of the Joint Stock Company “Brivais vilnis” confirms that the Annual Report of the JSC “Brivais vilnis” for 2018 is prepared in accordance with the laws of the Republic of Latvia “Accounting Law”, “Law on annual reports and consolidated annual reports” and regulations No.775 of the Cabinet of Ministers “Law on annual reports and consolidated annual reports application regulations” on the going-concern assumption and gives a true and fair view of the financial position as at December 31, 2018 and of its financial results and cash flows for the year ended December 31, 2018. The management report provides true information about the Company’s development and operating results.

On behalf of the Board:



Arnolds Babris
Chairman of the Board

29.04.2019

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT**To the shareholders of AS Brīvais vilnis****Our Qualified Opinion on the Financial Statements**

We have audited the accompanying financial statements of AS Brīvais vilnis ("the Company") set out on pages 4 to 20 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2018,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of AS Brīvais vilnis as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Qualified Opinion

The Company has been incurring net losses for a number of years and the financial result of 2018 was a net loss of EUR 386 238. These circumstances indicate that the carrying amount of the fixed assets as at 31 December 2018 amounting to EUR 3 599 704 may exceed their recoverable amount. The management of the Company has performed an impairment assessment and has not identified impairment as at 31 December 2018. We were not able to satisfy ourselves as to the reasonability of the management's assumptions on the future cash flows, therefore we were not able to satisfy ourselves as to the amount of the possible impairment as at 31 December 2018 using other audit procedures.

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 Responsibility 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 qualified 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.

In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matters | Audit Procedures Related to Key Audit Matters |
|---|--|
| <p>Valuation of Inventories</p> <p>As disclosed in the Balance sheet of the Company, the Inventories amount to EUR 1 008 714 as at 31 December 2018.</p> <p>Among the most significant inventories are finished goods and goods for sale and other inventories.</p> <p>The amount of inventories in the balance sheet is material and inventories are therefore considered a key audit matter.</p> | <p>We interviewed the management of the Company with respect to the valuation of inventories and we identified that inventories are monitored regularly concerning their age.</p> <p>We participated in the stock take and observed the stock take procedure. On a sample basis we tested if the data in the accounting system complies with the amounts in the warehouse.</p> <p>We analysed the ageing report of the inventories.</p> <p>We tested the proper application of FIFO.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the slow moving and old inventories of the Company.</p> |
| <p>Valuation of Receivables</p> <p>As disclosed in the Balance sheet of the Company, the Receivables amounted to EUR 792 248, incl. Trade receivables of EUR 754 748, as at 31 December 2018.</p> <p>The recoverable amounts of receivables and the necessary amount of provisions for bad and doubtful receivables are significantly influenced by the management's subjective judgement.</p> <p>The amount of receivables in the balance sheet is material and receivables are therefore considered a key audit matter</p> | <p>We interviewed the management of the Company, assessed their objectivity with respect to their assessment of the financial positions of the debtors and the possibility to recover the debts.</p> <p>While assessing the recoverability of the receivables, we analysed the term-structure of the receivables.</p> <p>On a sample basis we sent external confirmations to satisfy ourselves that the valuation of the receivables is not materially misstated.</p> <p>We compared the Company's provisions for bad and doubtful receivables with our calculation.</p> <p>We assessed the accuracy and completeness of the disclosures in the notes of the financial statements concerning the provisions for bad and doubtful receivables of the Company.</p> |
| <p>Going Concern</p> <p>The financial statements of the Company for the year ended 2018 have been prepared on the going-concern basis.</p> <p>Going-concern is the fundamental basis of the preparation of the financial statements therefore it has been considered a key audit mater because the financial result of the operations of the company has been a loss for a number of years, including 2018 amounting EUR 386 238.</p> | <p>We interviewed the management of the Company on their assessment of the financial results and the financial position of the Company as at 31 December 2018, including on their vision on the planned financial result for 2019.</p> <p>We analysed the Company's liquidity ratios and assessed whether the current assets of the Company exceed its current liabilities as at 31 December 2018. We assessed whether the net assets of the Company are positive.</p> <p>We reviewed the unaudited financial information of the 1st quarter of 2019. We assessed whether the financial statements include sufficient and appropriate information surrounding the justification of the application of the going-concern principle.</p> |

Other Matters

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 21 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 22 of the accompanying Annual Report,
- the Statement of Corporate Governance, which has been prepared as a separate statement by the management of the Company and which is available in the web page of NASDAQ Riga www.nasdaqbaltic.com on the date of the audit report.

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 related to other information* 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.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

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 to audit the financial statements of AS Brīvais vilnis for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2017 to 31 December 2018.

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. 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 Gatis Sviklis.

Revidentu birojs Gatis Sviklis Lāsma Svikle SIA
Certified audit company licence Nr. 181
Kr. Valdemāra street 123 - 15
Rīga, LV - 1013
Latvia

Certified auditor in charge:
Gatis Sviklis
Certificate No. 202

Rīga, Latvia
29 April 2019

*This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.