

# 2012 ANNUAL REPORT

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# Events in 2012



## January

The quicklime transshipment terminal at the Port of Liepaja starts operating at full capacity.



## February

The contract with Vilnius Municipality for the construction of an overpass and reconstruction of Geležinio Vilko Street in the center of the Lithuanian capital is signed.



## March

The residential property Elizabetes Park House in Riga is commissioned after renovation.



## April

Pile foundation construction works at the Riga Fertilizer Terminal are started.



## May

The second ro-ro ramp for the cargo-passenger ferry terminal at the Port of Klaipeda (Lithuania) was installed.



## June

The business center Alojas Biznesa Centrs receives a prize «The Most Energy-Efficient Public Building of 2011.»



## July

Construction of the Riga Bulk Terminal – a multifunctional terminal for handling dry bulk cargo – is started.



## August

The foundations of the residential complex The Pearl on the lake shore of Mazais Baltezers are laid down.



## September

The contract for the reconstruction of two berths (No. 7 and No. 8) at the Port of Klaipeda is signed.



## October

The contract with the Free Port of Ventspils on dismantling the 1st oil pier is signed.



## November

The project «Strings of Light for the Cable-Stayed Bridge» – a gift from JSC Latvijas tilti to Riga in connection with the 70th anniversary of the company – is commissioned.



## December

The first renovated building of the Riga 1st Hospital is commissioned.

# On behalf of the LNK Group Council

Dear LNK Group holding company  
clients and partners!

We would like to present an annual report of a new brand – LNK Industries: an innovative general contractor. The creation of LNK Industries is our response to current market requirements in regard to the construction and technological equipment of complex industrial facilities.

## LNK GROUP TODAY

We are pleased to report that 2012 has confirmed the accuracy of our approach, and we are staying true to our strategy, that was developed back in 1988, and is focused on innovation. The growth of the LNK Group holding company in 2012 was ahead of the development of the national economy. The consolidated turnover of all LNK Group companies has grown, reaching EUR 53.4 million. We have also boosted the volume of export up to EUR 20 million. The holding company enterprises developed consistently and successfully facing the competition in their respective industries. Particularly significant growth was seen in the complex construction projects, the details of that will be provided in this annual report.

After recovering from the crisis in mid-2011, the construction industry continued to gain momentum in 2012. Due to internal integration, our holding company has gained a significant advantage and was able to benefit from the growing demand for the entire scope of our diverse services.

The LNK Group's operations are based on three pillars in three business areas, that are closely linked within the framework of our holding company:

- **LNK Aerospace** – aircraft engineering services, aviation equipment testing and aircraft repair and maintenance.
- **LNK Properties** – design and construction of residential and commercial objects for lease or sale.
- **LNK Industries** (the annual report is provided herein) – civil, industrial and infrastructure design and construction, manufacture of equipment for cargo transshipment, manufacture of reinforced concrete and metal structures. In the first year of operation, the consolidated turnover of the business entities that comprise LNK Industries reached EUR 43.7 million.

**Alexander Milov,**  
Ph.D. Eng.,  
Chairman of the Council of LNK Group

**Vadim Milov,**  
Vice Chairman of the Council  
of LNK Group

LNK Group holding company is based on three pillars: construction and production (LNK Industries), engineering (LNK Aerospace) and real estate development (LNK Properties).

#### BASIS FOR SUCCESS

Although our long-standing success is based on several principles, two of them are most important for us. First of all, luck favors the prepared mind. Only a skilled and experienced person, being in the right place at the right time, will be able to take advantage of it. It might seem as if he or she was lucky, but in fact, his or her luck is just an objective law. And secondly, you have to do everything possible and a bit more. Many people are ready to do everything possible, but good fortune chooses the extraordinary ones, those who are able to seize a chance and provide an "impossible" input.

#### PROFESSIONALISM

Professionalism of the employees is the key to the company's success. For example, there was the Institute of Polymer Mechanics in Latvia, that was one of the leading research institutions in the former Soviet Union. Still, after the collapse of the Soviet Union, the staff of this institute could not find proper jobs to match their qualifications. In 2010 we registered a new venture – Centre Composite, that deals with strength analysis of aircraft structures made of composite materials, and we found and recruited these professionals, and due to excellent performance, we managed to gain profits in the amount of EUR 426,000 in 2012. Our main customers are Boeing and United Aircraft Corporation of Russia. In a short period of time, we have managed to create an engineering company that is able to satisfy needs of the most demanding customers – at present the company employs 38 highly skilled professionals, including 13 specialists with Ph.D. degree!

In addition, this year, within the framework of LNK Aerospace group of companies, we have created a company AviaTech-Service, that organizes a service center to perform aircraft maintenance for Sukhoi Superjet at Riga International airport. Air Baltic and other companies are also interested in this service. Our success is based on efficient selection of personnel. We also recruit the most talented students from the Faculty of Applied Mathematics and in six months they already fit into our team. We attract bright minds from abroad and thus Latvia gets unique specialists. LNK Industries often hires highly skilled foreign workers, for example, from the Netherlands, working under the guidance of our project managers. Sometimes, for example, it turns out that experts from Austria, who are invited to perform subtle design work, are actually our compatriots. They graduated from the University of Latvia, did not manage to find a job here, went to Austria and were eventually recruited by our company as foreign experts. We try to retain a skillful workforce, we do not save on our employees, and we hire the very best ones. LNK Group has managed to benefit from the recent crisis: many highly qualified professionals were available in the market and eventually joined our team.

#### LNK INDUSTRIES

The LNK Industries group of companies was founded in 2011. It unites JSC Latvijas tilti (infrastructure projects), Enfort Ltd (general construction) and TTS (Transportation Technology Systems) Ltd (production of technological equipment). The JSC LNK Industries is an innovative general contractor. The success of this approach is evident: in its first reporting year, the turnover of JSC LNK Industries has reached EUR 18 million.

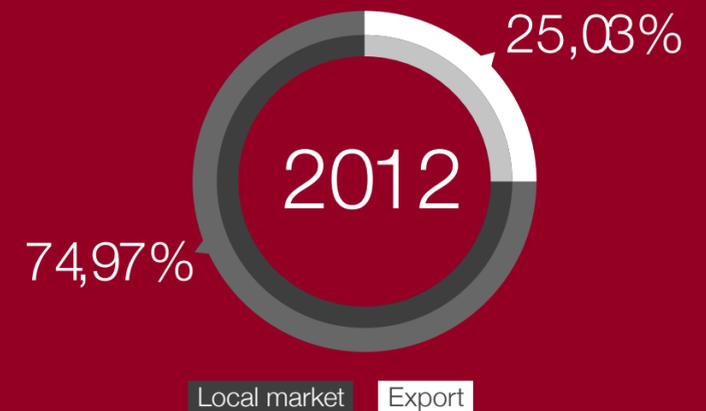
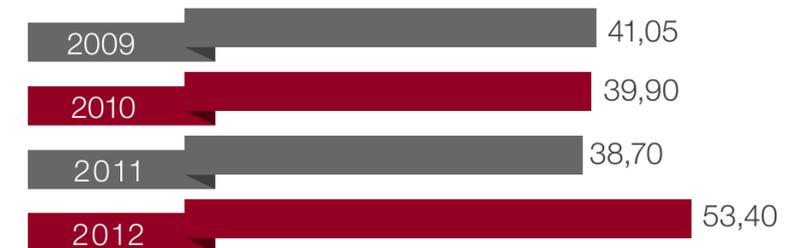
#### EXPORT MAP

LNK Group exports its products and services to Finland, Germany, Italy, Denmark, Lithuania, Russia, Belarus, Kazakhstan, Turkmenistan, China and Japan.



#### CONSOLIDATED TURNOVER, EUR MILLION

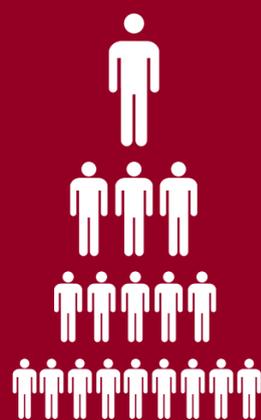
Sales volume of LNK Group companies



The holding company unites 22 companies, operating in three strategic business areas



We manage to attract the best talent.  
We employ PhDs that consistently leads to innovation.



695  
EMPLOYEES

53,40 mln EUR  
CONSOLIDATED  
TURNOVER

2012  
7,12 mln EUR  
TAX VOLUME

**STRATEGIC ADVANTAGE**

There is very tough competition in the general construction industry and profitability is extremely low. The same applies to the infrastructure construction sector: there are few operating companies, but the number of tenders is even less. As for the mechanical engineering industry, our competitors are not local companies, but mostly the largest German, Norwegian and Danish enterprises. Implementing a complex project that involves all our business areas, LNK Industries has certain advantage in terms of technological systems. Thus, we are competitive on a global scale, and our profitability amounts to 7-8%. Our most profitable product is non-standard equipment. We usually deliver non-standard equipment within the framework of our integrated services, that is cost-effective and convenient for our clients, and that is why they place their orders with us. Our business approach is characterized by small but sustainable profitability at high constant turnover.

**SOCIAL RESPONSIBILITY**

We believe that in a civilized society, those who are successful should care for society in general, and, in particular – take care of those who are in need. We support many and varied charity programs, and we believe that our main task is helping those who do not have enough resources for medical help, especially focusing on children – this is a priority for us. Art, sports, culture and other areas of philanthropy are very good, when a person is not hungry and is healthy.

**ON THE VERGE OF A NEW INDUSTRIALIZATION**

The development plans of LNK Industries are closely linked to our ever-changing world. Over the past decades, post-industrial trends have governed the economic environment: Europe and the United States transferred manufacturing beyond their borders to China and Third World countries, etc.

A few years ago, especially after the crisis of 2008, a crucial change occurred. One of the main drivers of change, among other things, was the discovery of shale gas and shale oil in the USA, and later in other parts of the globe. And the manufacturing industry, including iron and steel, began to return to the country of origin. The world community is on the verge of a new industrialization, and for Latvia this process might have very positive results. For 50 years we were actually excluded from the process of global industrialization, and in the early 1990s we had to catch up with the free world. At present, Latvia fits into the scope of new industrialization development. And that gives us hope for the development of Latvia as a whole and that of the LNK Industries brand in particular. It is our mission – creating industry. ●

Our mission is creating industry.  
The more industry and manufacturing  
based on innovative ideas will develop,  
the greater the prospects for our society!

*/Alexander Milov, LNK Group Founder/*

## HISTORY OF THE HOLDING COMPANY

In the USSR everything belonged to the state, and with the advent of Perestroika, it was officially permissible to create an enterprise on the basis of cooperative property. So in 1988, "LatvNauchKompleks" (LNK) cooperative was established, that marked the birth of the current holding company. Being the founder of the company, at that time I was the head of the laboratory for testing aviation technology. For this purpose, test equipment, such as hydraulic jacks, oil pump stations, measurement equipment and electronic control systems was essential. By using these tools, it was possible to create load tests in the lab, maximally close to actual performance. Nevertheless, this

equipment was not manufactured in the Soviet Union and tests were performed using self-made devices or, in particularly important cases, the test systems were purchased abroad: there were several companies in Europe and the United States specializing in the production of the relevant equipment. The LNK cooperative had to fill this gap. However, such co-operatives did not have their own manufacturing facilities. That is why we came forward with the idea to create a joint state-cooperative enterprise (SCE). In due course, the LNK cooperative participated in several SCEs, which specialized in the production of hydraulic equipment, bench structure elements, electronic control

systems, etc. As the one who "invented" this organizational option, I later learned that this is a long-established type of business organization known as a holding company.

After the collapse of the Soviet Union, the need for test equipment declined tremendously, but by this time we had acquired considerable experience and the versatility of our holding company allowed us to switch to other production and business areas, including construction. In 1991, the main fields of LNK expertise, which still exist and are being developed today, as well as its organizational structure were defined.





# 2012





**Riga Fertilizer Terminal**  
Mineral fertilizer transshipment and  
storage facility,  
Riga, Latvia.  
Commencement of works – 2011.



**Artyom Milov**  
Board Chairman



**Evgeny Lotsov**  
Board Member

# On behalf of the JSC LNK Industries Board

## Dear clients and partners of LNK Industries!

Construction and manufacturing continue to play a key role in Latvian economy. It is quite evident while analyzing the amount of taxes paid by companies in these industries into the national budget. In the middle of 2011, construction and production volumes began to grow again and continued to accelerate in 2012, reaching nearly 5%. The measures taken by the government to overcome the crisis, and the ability to attract European funding fostered the activity of local and foreign investors in various market segments.

The positive dynamics of construction and manufacturing industries have been achieved due to state and municipal in-

vestment in infrastructure construction projects, as well as the intensive construction of residential and office buildings for private clients. However, the most rapid growth was observed in port facility construction and manufacturing of technological equipment and metal structures.

This year was the first complete year of the full operation of JSC LNK Industries. The company has developed dynamically together with our group enterprises such as JSC Latvijas tilti, Enfort Ltd and TTS (Transportation Technology Systems) Ltd, successfully meeting all the market demands. We have continued our expansion beyond Latvia's borders.

## LNK INDUSTRIES GROUP OF COMPANIES

There are three independent companies in the group, operating under the brand LNK Industries



## DEVELOPMENT INDICATORS

EBITDA – earnings before interest, taxes, depreciation and amortization  
EQUITY RATIO – a level of equity  
CAPEX – the amount of capital expenditures  
OCF – Operational cash flow

25%  
EQUITY RATIO

2,70 mln EUR  
EBITDA

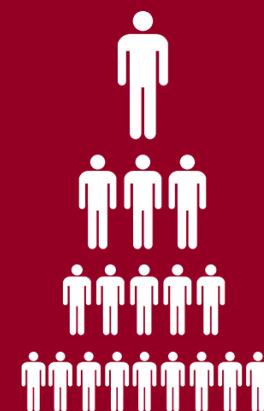
2,07 mln EUR  
CAPEX

3,09 mln EUR  
OCF

43,73 mln EUR  
TURNOVER

2012

1,91 mln EUR  
PROFIT



519  
EMPLOYEES

21%  
LESS THAN  
30 YEARS OLD  
108 PEOPLE

42%  
30 TO 50 YEARS OLD  
219 PEOPLE

4,02 mln EUR  
GROSS  
SALARY

37%  
MORE THAN  
50 YEARS OLD  
192 PEOPLE

84,2 K EUR  
REVENUE  
PER EMPLOYEE

56%  
EMPLOYEES  
WITH UNIVERSITY  
DEGREE

LNK Industries is a group of companies providing integrated solutions. It is a force that has priceless experience and the operational capacity to implement any project.

Contracts for reconstruction of berths at the Port of Klaipėda and construction of an overpass in Vilnius were signed in Lithuania. We continued cooperation with our European partners in the production of material handling systems and various non-standard equipment. We significantly expanded the geography of orders in Russia and the CIS countries.

The consolidated turnover of companies within the LNK Industries group of companies has reached almost EUR 44 million. The most rapidly growing companies within the group are TTS (Transportation Technology Systems) Ltd (with a turnover of EUR 8.4 million) and the JSC LNK Industries (with a turnover of EUR 18.1 million). Being a general contractor within the LNK Group holding company, JSC LNK Industries implements large-scale and complex projects, integrating capacities of not only the enterprises of the holding company, but also those of the independent partners and subcontractors. A major catalyst for our development during the reporting period was our ability to respond flexibly to clients' needs, using innovative technologies to provide a wide range of services under the guidance of a single management team.

#### GENERAL CONTRACTOR

Efficient consolidation of the services, provided by the companies of the holding company, resulted in the creation of JSC LNK Industries. Our company is a general contractor, that integrates the manufacturing and construction capacity of the LNK Group. Even though the company was only founded quite recently, it has already established itself in the market as a leader in handling the most complex tasks and implementing projects of almost any scale. The principle of centralization and implementation of client-oriented policies has facilitated creation of a financially sound enterprise with impressive construction and manufacturing facilities and a united team of skilled profes-

sionals. These fundamental components enable us to provide our clients with an extensive range of services, which are available from a single provider, as well as to successfully develop a line of "turnkey" projects, based on the "one-stop-shop" principle.

#### TURNKEY PROJECTS

2012 was a milestone for our group of companies. Finalization of the structure of LNK Industries, geographic expansion, enhancing existing cooperation and establishing new contacts with the leading world companies have boosted the development of all business areas of our group. However, our unique product - implementation of turnkey projects, i.e. ready-to-operate, has made LNK Industries one of the leaders of the construction-manufacturing industry in the Baltic region in 2012. Within the framework of the turnkey project, our company offers the client the complete construction cycle implementation – starting from finding a site for construction, fundraising and design through to implementation and, if necessary, maintenance. Although the approach can be applied to realization of any construction project, industrial and technological projects dominate in this segment. With the aim of developing the prospective business area, our group recruited a strong team of designers dealing with both general construction and technological projects that are able to implement every wish of the client at the initial stage and ensure an immediate operational response during the entire project.

In 2012, we have entered into several major contracts for implementation of turnkey projects, where we can employ our capabilities at full capacity, including such projects as Riga Bulk Terminal (RBT) and Riga Fertilizer Terminal (RFT). Implementation of both projects required mobilization of substantial resources and the involvement of the best professionals in both the construction and technology sector.



#### Riga Bulk Terminal

Multifunctional terminal for bulk cargo transshipment and storage, Riga, Latvia. Commencement of works – 2011.

## LNK INDUSTRIES - SALES STRUCTURE

Export and government contracts each account for one third of the total LNK Industries sales volume.



Working on the Riga Bulk Terminal project, we delivered the whole range of works and services – from design and construction through to production and commissioning of technological equipment for the transshipment terminal, handling eight different types of cargo. With the aim of ensuring customized approach to our client's needs, we applied a variety of unique engineering solutions, that were implemented in Latvian construction practice for the first time.

Another object at the Freeport of Riga, we were dealing with was RFT, a terminal for short-term storage and transshipment of mineral fertilizers, located in Kundzinsala. It was a complex project and we provided sophisticated solutions to implement hydro-construction tasks, including the construction of six unique dome-shaped warehouses and a deep-water berth, as well as manufactured and assembled specialized technological systems for fertilizer handling. The first cargo train was loaded six months after the start of construction of the first warehouse dome.

Our company is the only one in the region that has the capacity to implement complex technological projects, employing professional teams, which focus on every project stage and operate under a single management team in close day-to-day contact. Such modus operandi undoubtedly has a positive impact on quality, negating the risk of defects and inconsistencies and virtually eliminating the risks faced by the client.

### RISK MANAGEMENT

The JSC LNK Industries issues a single bank guarantee for all companies within the group. This approach enables the client to address one company in regard to all project issues. A large number of employees, in-house equipment and production machinery place a considerable financial burden on the company. In times of recession or a lack of orders, all those factors have to be considered and a social burden has to be borne. In view of the above, our company has to maintain the number of orders at a certain level at all times to retain professionals.

In order to mitigate risks, all the members of our have to comply with schedules and meet deadlines, ensure a high quality and flexible approach while handling non-standard situations. With the aim of mitigating risks, quality control and internal coordination procedures have been introduced by all the companies within the group. In compliance with the stipulated procedures, JSC LNK Industries employees that are entrusted with all relevant information in regard to the specific project are able to set priorities for all parties involved, providing a high level of synergy. Due to the fact that we perform the work ourselves, we are not exposed to risks associated with subcontractors, and we can fully manage the process, instantly reacting to any situation. Increased productivity, continuous reduction of costs and performance monitoring has a positive effect on the financial position of our company. The stability of our growth and the ever increasing list of external orders are

fostered by real estate construction projects, where the client is LNK Properties. Such orders account for about 15% of the total portfolio.

### OUR TEAM

Our company has a very rigorous approach to selecting of employees. Special procedures were designed and implemented by the company to enable young employees to work under the guidance of more experienced colleagues, in order to share their knowledge and ensure the continuity of generations. All our employees not only enjoy social security benefits, but also are interested in long-term cooperation with the company due to the incentives' schemes introduced and maintained by our company. The selection of personnel is the responsibility of the leadership, and the candidates for all key positions have to comply with the highest requirements, including a detailed check of previous projects and mandatory provision of recommendations.

Young professionals are one of the target groups of our recruiters. Student support, cooperation with higher education institutions and vocational schools facilitate the selection of prospective employees at the stage of learning and their further involvement in our work.

Group's senior managers attach great importance to non-material motivation of employees. A combination of organizing informal meetings and excursions, socializing, covering expen-

LNK Industries provides not only the optimization of costs and a better price for the customer, but also facilitates cooperation with financial institutions (banks, the EU Cohesion Fund and others).

ses related to further education courses and study programs, and creating an atmosphere of comfort minimize the brain drain and attract new employees to the company. The fact that our project manager Robert Trautmanis was awarded the title of the "Best Professional in Latvia" in 2012 is the most evident proof of our employees' professionalism.

### DEVELOPMENT

Planning and strategic development is part and parcel of any company's operation. Our development strategy has been designed for the next three years. During this period, the company plans to increase turnover by at least 15% per year, to increase the portfolio of projects in Lithuania and to enter the Estonian market. The Baltic market is our home market and by utilizing its advantageous geographical location, we can provide positive development dynamics, while maintaining the high quality of our work and products. Our priority is the development of the business area dealing with complex, large-scale projects on a turnkey basis. We plan to use European funding to attract foreign investors to the countries of the region. Although we do not plan to expand our construction activities outside the Baltic countries, the company will focus on expanding material handling systems and equipment exports in Europe, Russia and the CIS countries. ●





**Genady Kamkalov**  
Manager of Infrastructure  
Projects Department

# The bridge from the past to the future

Team versatility backed by the specialization of every team player is a key to success.

The Latvian bridge and overpass construction market does not provide many opportunities for a company of our size. That is why since the beginning of the new millennium, LNK Industries has been striving to enlarge the sales market in two ways: by expanding the geography of our projects and diversifying our range of services. We work outside Latvia a great deal and have developed highly specialized business areas, such as construction of hydro-structures for the ports' needs. In Latvia, we mainly focus on harbor engineering. In 2012, we worked on three very challenging projects: two of them are at the Freeport of Riga and one at the Free Port of Ventspils. Our largest project is a multifunctional ferry terminal in Klaipeda

(Lithuania). Apart from the construction component, these projects include the production and installation of material handling systems and equipment, i.e. we deliver ready-to-operate port infrastructure facilities.

## LNK INDUSTRIES – A BRIDGE TO THE FUTURE

Globalization was the catalyst for the consolidation of businesses. Mergers and acquisitions have formed huge multinational corporations that operate in all corners of the planet, crossing the borders of geographical regions. The establishment of LNK Industries – the innovative contractor – is a timely response to market challenges and requirements.

**Cargo – passenger ferry terminal**  
Two piers, ramps and port  
infrastructure,  
Klaipeda, Lithuania.  
Commencement of works – 2011.

Our experience in the construction of more than 2,000 different bridges and overpasses enables us to cope with a variety of modern infrastructure objects.

Being in line with the latest trends, and in many ways ahead of them, LNK Industries has succeeded in finding untested market space and can offer a unique product – implementation of industrial and technological turnkey projects at the best price for our client. The effective interaction of the different companies within our holding company plays a very important role in this process. Enhanced synergy, a clear division of responsibilities between the units and specified common objectives foster a constant increase in volumes and ensure that we can optimally manage and execute the complex tasks we are entrusted with by our clients. For example, in 2012, with the aim of increasing productivity and optimizing material deliveries, within the framework of the restructuring process, production of all metal structures was transferred to TTS (Transportation Technology Systems) Ltd, which fully complies with the specialization of the plant. Thus, JSC Latvijas tilti could get rid of non-core assets and concentrate on its core competence – implementation of infrastructure construction projects. Due to the extensive experience of JSC Latvijas tilti, accumulated in the process of constructing of more than 2,000 bridges, overpasses and

hydro-technical facilities, and through applying advanced technologies, we are able to handle any infrastructure project successfully.

#### KEY PROJECTS

At present, JSC Latvijas tilti is involved in six large-scale LNK Industries' projects. In Klaipeda, we are building a cargo-passenger terminal, consisting of two berths and two powerful ramps, each weighing 400 tons. The ramps will be the largest mobile metal structures in the Baltic States. We have manufactured them at our TTS plant, and Latvijas tilti has ensured their delivery, assembly and installation. In Klaipeda we are also working on the renovation of two berths. In constructing an overpass in Vilnius, we are cooperating with the company Kauno keliai, which is responsible for access roads, while we are implementing the construction of an overpass. In Ventspils, our task is to dismantle the pier, that was built fifty years ago and currently hinders the full use of a newly constructed coal terminal, which was built by us. We have two large, complex objects at Riga Fertilizer Terminal, on Kundzinsala, where we have constructed six dome-shaped warehouses and pres-

#### INFRASTRUCTURE PROJECTS CONSTRUCTION DEPARTMENT

Represented by JSC Latvijas tilti

25,0 mln EUR  
SALES VOLUME

11,8 mln EUR  
EXPORT

315  
EMPLOYEES



ently are building a deep-water berth with 14,5 m depth. Due to the fact that there is sandy soil, the piles have to be driven to a depth of 32 meters. In Klaipeda the situation was different – there was moraine, hard clay rock, so we only hammered the piles down to a depth of 22 meters.

#### INNOVATIVE THINKING

LNK Industries applies advanced technologies that are not always available to our local competitors. For example, the 400-ton ramp mentioned above is not a unique product, it just has a bigger size, but the solution provided by us for the ramp's installation was absolutely unconventional. Usually the ramp, manufactured at the plant, is loaded on a large platform, transshipped by the water and then mounted on the site using a powerful crane. Our solution was different - we assembled the ramp right on the water from separate parts, and nearly all the bulk of ramps, except for a few oversized items, was transported by road employing ordinary trucks. This solution was invented by our designers and that example illustrates our approach: as a rule our designers improve the client's projects, and the solution mentioned was one of our innovations.

We usually provide our clients with additional and more efficient design solutions at the tender stage and we manage to reduce not only costs, but also process duration. For example, nowadays we build at least five times faster than twenty years ago. And it can be attributed not only to new technologies, but also to an innovative planning and operation.

#### TECHNOLOGICAL PARK

LNK Industries invested nearly five million euro into upgrading the Latvijas tilti technological park. It was necessary to have the appropriate equipment in order to enter modern hydro-technical construction market. That is why Latvijas tilti purchased a 130-ton crane platform with spud piles, a powerful hydraulic 14-ton hammer, a 12-ton vibro-hammer, providing penetration force up to three hundred tons. There is no similar equipment in the Baltics. In addition, we had to acquire two additional cranes and two full-circle loaders specifically for work in dome-shaped warehouses. We are constantly acquiring new equipment for the purposes of our new projects. We are a customer-focused company and adapt to our clients' projects, not vice versa, finding a solution for any problem,

## Overpass

Overpass in the city center,  
Vilnius, Lithuania.  
Commencement  
of works – 2011.



The fiscal year marks the start point,  
not the finish line

without any impact on quality under any circumstances. LNK Industries is the structure, that has brought together the once disparate production and construction capacities of the holding company, accumulated the experience, and armed with the modern technologies can now handle any challenging task set by a demanding customer in the 21st century.

### THE FUTURE BEGINS TODAY

The fiscal year is over and LNK Industries continues its operation implementing large-scale contracts on various levels, mostly in Latvia and Lithuania. Two dry bulk handling terminals: Riga Fertilizer Terminal and Riga Bulk Terminal at the Freeport of Riga – are in the final stage of construction. In terms of the scale of the implemented tasks and complexity of the technical equipment, the aforementioned terminals are

unique achievements for the Baltic States. We are also actively working in Lithuania: a cargo-passenger ferry terminal at the Port of Klaipeda will be the largest hydro-technical construction project implemented in the Baltic States. Together with our Lithuanian partner Kauno keliai, we are carrying out the construction of the overpass and reconstruction of Geležinio Vilko – one of the main streets of Vilnius – as a part of the modernization of the city's infrastructure and in preparation for Lithuania's presidency of the European Union. Our management and engineering competence enables our company to deliver impeccable quality in compliance with the project deadlines set by our clients.

There are also new projects, that form the order book for 2014. Participation in a large-scale international project involv-

ing the construction of a by-pass highway in the Lithuanian city of Panemunas sets us important tasks – we are responsible for construction of the bridge and an elevated roadway across the River Neman, which separates Lithuania from Kaliningrad region of Russia. Very soon we will start reconstruction of a bridge in Latvia – one of the biggest bridges across the River Daugava in Jekabpils.

Currently, we are also working at the Free Port of Ventspils – within a framework of LNK Industries EKO enterprise we are dismantling an old oil product pier, providing not only engineering, but also environmental solutions. Construction of Berth No.12 has been commenced together with Hochtief Solutions. It is due to be completed in 2014. Expanding the scope of work not only in Latvia, but also in the

other Baltic States, helps to maintain and increase the number of jobs, thus enhancing our social responsibility and promoting the further growth of our company. As a responsible employer, Latvijas tilti, being part of LNK Industries team, provides an opportunity to work in a comfortable and safe environment and offers numerous possibilities to improve the welfare of its employees and their families. ●

2008

1976

1955

1955

1981

## HISTORY OF LATVIJAS TILTI

Latvijas tilti has built, renewed and reconstructed over 2,000 bridges in Latvia and other areas of the former Soviet Union. We are proud of our history, and as a part of our anniversary celebration, we have provided a beautiful birthday gift to our beloved city of Riga – the illumination of the Cable-stayed Bridge. By the way, with a few exceptions, virtually all Latvian bridges and overpasses have been built by our company. And we can boast that we have built the Dienvidu Bridge across the River Daugava, which is the largest bridge that has been built in independent Latvia.







**Sergey Komarov,**  
Industrial Construction and Civil  
Engineering Department Manager

# Innovations in construction

Our competitive advantage lies in the combination of technological and non-technological innovations.

Civil engineering and industrial construction market in Latvia is characterized by tough competition. The very growth of the market fosters a continuous influx of new competitors. That is why any technical competitive advantage, developed by the construction companies, very soon loses its value due to competitors' efforts – the technological race is ongoing. This is good for customers, but has a negative impact on profits generated by the construction sector companies. Our competitive advantage is the combination of technological and non-technological innovations that are provided by the general contractor – LNK Industries.

## STRONG NEWCOMER

Focused on civil engineering and industrial construction, the company Enfort, that now is the part of the LNK Industries group of companies, was founded ten years ago: I and my team, consisting of six people, came on board in 2002. Two

years ago, our company and partner companies were united under the brand of the innovative general contractor LNK Industries. As part of the group, in a year and a half, we have managed to ensure growth: in 2012, our turnover reached EUR 10 million, and we have a considerable portfolio of contracts for the upcoming years.

LNK Industries is engaged in complex projects, such as reconstruction of historical properties, construction of housing and of industrial facilities, and in implementing those projects we can most effectively manifest our competitive advantage.

## OUR SITES

In 2012 the company Enfort, operating under the brand of LNK Industries, mainly was involved in civil engineering projects in compliance with concluded contracts. At the moment, the most interesting object we are building is The Pearl,

LNK Industries fully complies with the requirements of the clients providing not only the desired result, but also an efficient, easy and stress-free construction process.

a residential property on the lake shore of Mazais Baltezers. The project is a very challenging one. For example, the hydro-technical solution, developed in the process of project implementation, is the most advanced that has ever been applied in residential construction in the Baltic States. The efficiency of the construction process is also noteworthy.

One of our main priorities is reconstruction of historical buildings. In implementing reconstruction of Riga 1st Hospital, we had to take into account the detailed list of requirements based on the operating standards of modern medical facility, including the fact that during reconstruction, the hospital had to continue functioning as normal. Another vivid example of our capacity is our reconstruction of a residential house on Elizabetes Street, where we managed to restore all architectural and interior design details of the original Art Nouveau project.

#### DESIGN SOLUTIONS

LNK Industries also provides additional design solutions, improving the client's project design. We deliver the whole scope of design cycle for our own projects only. For example, whenever the LNK Group holding company develops a real estate object, we ensure implementation of all relevant stages from the preliminary sketch up to commissioning.

#### STANDARD QUALITY

There is very tough competition in general construction industry. How can we outperform our competitors? Today, impeccable quality is taken for granted. In the 1990s, the quality of construction was very different, but today the majority of the market players ensure virtually the same degree of quality: all the important construction companies fully comply with all the standards and have the required certificates. There is no place for slackers in our industry. Besides, experienced clients usually have tough building control procedures in place: it is almost impossible to deliver faulty production as was often the case in the early days of the Republic of Latvia. Regardless of all the relevant certificates, the client is willing and able to check not just paperwork, but the product itself. So in case of any tender, be it public or private, quality is just a qualifying criterion of the company's compliance. The price remains the main factor in choosing a winner between equal contenders. How to achieve the highest standards of quality, offering a price that is lower than that offered by our competitors – that is the question.

#### ADVANCED COST SAVING

Low costs in combination with unquestionable quality – this is the only way to capture the market. And this should be done by an innovative contractor. Latvijas tilti produces pile founda-

#### CIVIL ENGINEERING AND INDUSTRIAL CONSTRUCTION DEPARTMENT

In our group, this is represented by Enfort Ltd



14,0 mln EUR  
SALES VOLUME

29  
EMPLOYEES

tions, while the TTS company manufactures metal structures – due to this synergy LNK Industries can provide its client with a better offer. For example, our in-house price for metal structures is lower than the average market price. By implementing a comprehensive project, we can offer general construction works at the cost of production due to the fact that other project components ensure profit, that makes LNK Industries particularly competitive.

One of the innovative solutions enabling us to offer a better price to our customers is to improve their projects before receiving the order. Quite often, the projects contain economically inefficient solutions and our task is to detect, identify and eliminate them. LNK Industries employs skilled specialists who are experts in the areas of construction and technological equipment. For this reason, we can offer alternative design solutions aimed at seamless performance and an excellent result. It is a win-win situation: our client saves money, and we win the tender. This approach mostly provides effective results while working with private customers; in the case of public tenders, the technical specification is not subject to improvement by the applicant.

It is sometimes assumed that there is another side to the coin: the bigger the structure, the less flexible it is. However,

LNK Industries manages to avoid loss of flexibility. The impact, provided by the general contractor, never reduces our efficiency or increases bureaucratic procedures. We jointly act on behalf of one brand name – LNK Industries, instead of acting as four independent contractors, and this is much more convenient for our client; we have additional employees for this purpose, but they are quite few and very efficient. Being a reliable customer-focused contractor, we handle all the client's needs and assure the client that it is very simple to work with us. I think that in a modern world where everything has its price, this is a noteworthy innovation.

#### TECHNOLOGICAL INNOVATIONS

There are few technological innovations in general construction area today, basically everything new it is the well-forgotten old. In terms of operational structure, work on improving the construction process has been ongoing for centuries. Even so, there are specific innovations, associated with details, some of them are not just invented, but successfully transposed and implemented. For example, in some projects, we use a sliding formwork, which is continuously moving at a speed of 2.5-3 meters per day to ensure non-stop concreting process around the clock. In implementing a project in Baltezers, we applied post-stressed concrete, thus saving the customer costs for extra reinforcement. Still our approach

A significant advantage of LNK Industries is that our solutions are developed and adopted very efficiently. For a builder implementing a complex project, this provides an additional warranty and saves time.

was balanced and deliberate – given the specificity of such structures – namely, the inability to ensure drilling options and openings in the residential areas after the completion of concreting. Together with our client, we have identified areas where this technical solution might limit the flexibility of the sales department.

Latvia is a small country and large-scale projects are unique, but we are always ready to face any unprecedented challenge. The technical and intellectual capacity of LNK Industries ensures successful implementation of any project.

#### ECO COMPONENT

We believe that the introduction of an ecological component could also be considered as an innovation. Eco-requirements have a great impact on the construction industry as a whole, as well as on our company's operation as well, making us comply with increasingly stringent environment protection and energy efficiency standards. We constantly develop the eco-component of our operation, and having acquired considerable experience we are able to outperform our competitors. Our project, business center Alojas Biznesa Centrs, is a recognized model of energy saving technology implementation, recognized as such by the Union of Architects

of Latvia. We have these technologies at our disposal and are ready to deploy them as demand grows.

#### OUR PEOPLE

Our main asset is our people. As in any other construction company, there is a certain staff turnover; however, we have loyal employees who have been with us for years. As for the technical staff, we try to recruit employees without working experience. For example, a graduate of the Technical University is an ideal candidate for us.

We are investing in our staff, and our people acquire new skills and higher qualifications at the expense of the enterprise. Of course, we want to retain such employees, and create the relevant conditions for people to stay with us. Sometimes we fail – the market is the market, but we still manage to retain the majority of our personnel. It is not only the amount of salaries that matters, the general working environment and team ambience are also very important components. I assume that there are places where one can earn more, but is this option sustainable and safe? We provide social guarantees, confidence and stability. The reliable and valuable professionals, who work with us for years, constantly get bonuses. As for technical staff turnover, we have practically none. ●

**Residential house**  
Renovation of Art Nouveau residential house,  
21 Elizabetes Street, Riga, Latvia.  
Commencement of works – 2011.



**Riga 1st Hospital**  
Reconstruction of two hospital buildings,  
Riga, Latvia.  
Commencement of works – 2012.

ARCHITECTURE  
AND ENERGY EFFICIENCY



# Architecture and energy efficiency

In the last decade we have focused on the development of such architectural and engineering solutions that ensure fossil energy savings of 50-80%, and in some cases nearly 100% energy savings.

Nowadays, an architect has to deal with applied ecology. An architect is the person who defines the amount of resources that a building will consume, in order to ensure a comfortable environment inside. Efficient consumption of resources means a cleaner and safe environment.

Buildings account for almost half of the world's consumable energy – they consume more than production plants and internal combustion engines. Most of the energy is consumed for construction material manufacturing, not for the building's operating purposes.

The main solution to this problem is application of reusable materials, but this is not always possible.

Energy consumption within the framework of operation is closely related to energy and heat supply. More recently, the rooms were isolated from the world and provided with artificial lighting and ventilation. Nowadays, it is more popular to raise the curtains and open the window.

An ecological approach to the construction process is still a novelty, and there is not that much experience in this area. Over the last decade, more and more attention has been paid to architectural and engineering solutions, providing a 50-80% saving of fossil energy and sometimes even more.

## BUSINESS CENTER ALOJAS BIZNESA CENTRS

Values. People, the city, nature.

Approach. Ecology implies a gentle co-existence with environment. The sun, air, water.

The building project addresses the problem of the maximum reduction in CO<sub>2</sub> emissions during the process of construction, as well as during operations. In response to the ever-changing world (the sun, rain, heat, wind), the architect offers environment-friendly heating, cooling and ventilation systems, which make it possible to maintain a specific climate in every room, as well as special glazing of facades depending on the side of light, sun-protection elements, air and

water recirculation, folding building constructions to reduce energy consumption during the construction process (facades, staircases, double floors, partitions, etc.), electronic control of engineering systems with variable parameters, and many other modern solutions. For the purpose of comfort, the area of common use is separated from the area

of private use. Open type office space provides special areas for tea parties and private moments, meeting rooms, a common recreation area, a lounge with a roof-terrace, a cafe. Facilities for people with special needs, an underground parking area and a bike-stand are also available. ●

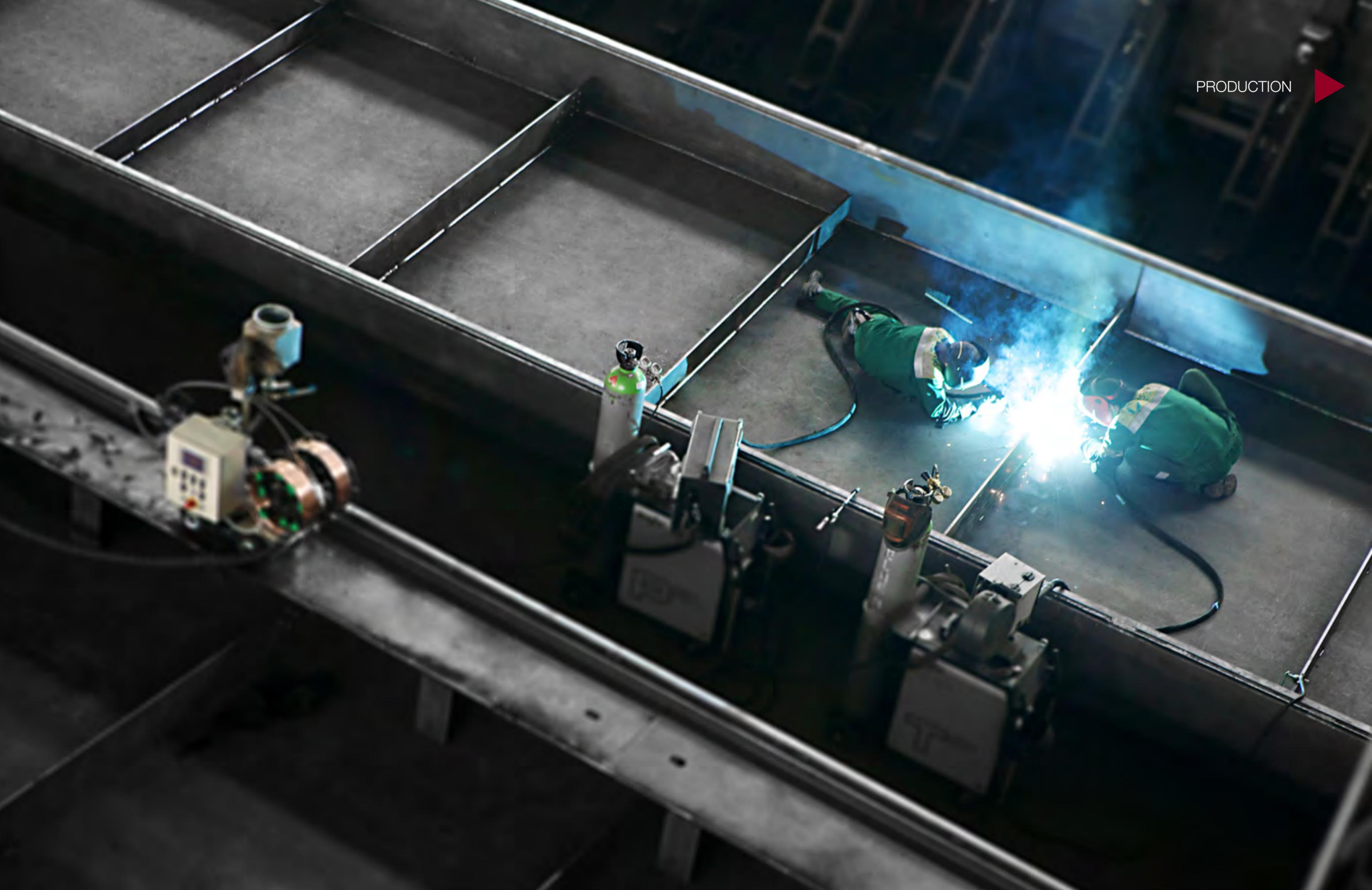
**Visvaldis Sarma**  
Architect, Sarma&Norde



## Alojas Biznesa Centrs

A-class office center,  
Riga, Latvia.  
Commencement  
of works – 2010.

PRODUCTION





**Anatoly Gubenko**  
Production Department  
Manager

# Production in the era of re-industrialization

We successfully compete in the global market,  
surpassing the old Europe in regard to standards

The mechanical engineering industry in Latvia has long-standing traditions and is represented by several strong companies. Its competitiveness in the region can primarily be attributed to geopolitical advantages, and secondly – to the relatively low cost of production. In the context of re-industrialization, Latvian engineering has good prospects of occupying its specific niche and continuing its stable growth. For this purpose, it is necessary to keep up with new trends and market demands, and to take care of the new generations of specialists in both engineering and manufacturing areas.

LNK Industries sees itself as the industry leader in regard to innovation and production of unique products in compliance with individual orders.

## **LNK INDUSTRIES AND MODERN ENGINEERING**

The manufacturing sector in the LNK Industries is represented by the TTS. In regard to metal structure production, we are one of the leaders in the Baltic region. Our specialization is non-standard equipment manufactured according to individual orders. Basically, these are conveyor systems at dry bulk cargo transshipment terminals – branched complex systems,

Our quality complies with the most stringent EU requirements. All the constructed facilities and technological equipment are certified according to the ISO quality management system.

where everything is connected and has a management system with a central control panel.

Another major branch of our production activities is manufacturing of machinery and equipment for wood processing, mainly for export. Our log supply lines move, unfold, stack and sort logs according to various indicators using laser scanners and metal detectors, providing removal of bark and conversion of a log into veneer. In accordance with our clients' order, we design, manufacture and install these lines on-site on a turnkey basis: LNK Industries provides manufacturing of equipment along with construction and installation. Now we are able to implement such projects as construction of terminals on a turnkey basis.

LNK Industries brand offers its client a full range of services from a single source: the client does not have to look for someone who will build a house and provide equipment – the client works with one project manager. Another positive element is the efficiency of coordination and confirmation process. We provide all solutions related to the project – this is a lot easier for us than for a separate specialized company with numerous subcontractors due to the fact that the whole project is managed from one source and there are no conflicting priorities. There are no other competitors in the Latvian market who are able to produce similar production in comparable amounts. For sure, there are large companies globally, but we are in a better position due to our ability to ensure a full cycle. Besides, big players are less flexible, less agile, trying to impose their know-how and already existing products, that differ from those required for optimal performance. Large companies can even dump the client. And we will never let our

clients down, we always adapt to their needs. Besides, prices in Latvia will be always lower than in Germany or Sweden. In addition, we guarantee a short production cycle.

#### LOCAL MARKET FOCUS

Until recently, an export component of technological equipment production was about 95%; there was a time when all our output was dispatched to the Nordic countries and Germany. Subsequently, we became active in the Russian market, but now we have two very large projects in Riga, at the port, and this is already bigger than the production part that is forwarded abroad. Our exports are not reduced; we just have considerably increased production volumes. Due to large-scale local contracts, the company has been experiencing dynamic growth throughout the year of 2012.

#### AUTOMATIC EQUIPMENT AND PEOPLE

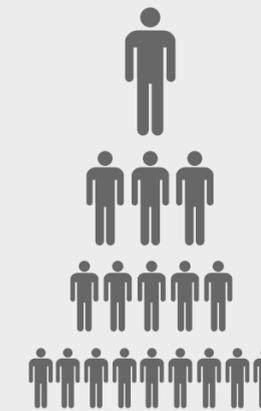
Our production is very complex and subtle, with a variety of details and processes – both standard and customized. We have an automatic management system in place to ensure smooth and efficient processes. But the key component of successful operation is our people. It is difficult to recruit skilled specialists in Latvia for our specific projects. For instance, it is almost impossible to find technological designers, who are not employed elsewhere. We try to solve this problem by maintaining a well-established and successful collaboration with the Riga Technical University with the aim of choosing the most suitable candidates and in order to provide on-the-job training. Sometimes we contact employment agencies to find personnel for our workshops, but still, the best option is to train our staff from scratch. We cooperate with the best





## PRODUCTION DEPARTMENT

In our group, this is represented by TTS (Transportation Technology Systems) Ltd



8,14<sub>mln</sub> EUR  
SALES VOLUME

158  
EMPLOYEES

Not all the German companies are EN1090 certified – we are ahead of our competitors!

vocational schools, where welders and locksmiths are trained. Every year we invite one or two groups for undergraduate training at our facility and usually offer jobs to the best 4-6 graduates. We provide very good labor conditions, pay and growth prospects. Why do people stay with us? Well, with every new project, we have challenging tasks, so there is no place for routine.

### STANDARD AND UNIQUE

I believe that one of the interesting advantages of TTS is the location of our business, namely – Latvia. Riga is a large-scale logistics center, we purchase components from various countries, we deliver our products to the West and the East, and it is comfortable for us to work here. Latvia is the ideal place for development of the industry. Let's, for example, compare Latvia with China, where many developed countries are moving their production facilities. Yes, there is very cheap labor, as

well as energy and raw materials. But why is our equipment in high demand even in China, why do we manufacture equipment for a Finnish company that ships it to China to produce plywood there? That happens due to the fact that the Chinese are ready to produce mass-products only, and that explains why they are cheap. But in the case of a non-standard order, the quality and timing are affected immediately, and the price increases. That is why, being producers of non-standard products, we feel great even in China.

### QUALITY AND PRICE

There are criteria than price alone. Let us imagine the situation – during the loading of a vessel (the vessel's downtime costs approximately EUR 50,000 a day) a small detail (that costs EUR 5), is broken. And the vessel is standing idle ... One of the reasons why our products are in demand is the fact that we do not use cheap components and metal of unreliable

Our production process is subtle and specific, that is why we cooperate with universities and vocational schools and provide on-the-job training for our staff.



origin: we have all the metal from Europe, and if it is from Russia – it is properly certified. We cannot jeopardize quality, we are certified in compliance with the most stringent European product standard EN1090, and not all the German producers comply with it.

#### STANDARDS IN FACT NOT IN WORD

The only way to win the confidence of a wide range of customers is to have the highest performance certification. We produce metal structures in accordance with all international

certificates. In introducing innovations into our production processes, we comply with the highest requirements applicable to occupational health and safety, as well as environment protection.

We are the only company certified to the Execution-4 standard in Latvia. And this is the way to win in the market. We are the one of the few companies in our region that can offer all of the above. ●



#### HISTORY OF THE PLANT

Historically, our company started its operation as the Plant No. 85 of the Ministry of Civil Aviation of the USSR, that produced airfield equipment: baggage belts, trolleys and containers. After the collapse of the USSR, the demand for these products was gone, the plant was privatized by parts, and a hydraulic workshop became the predecessor of the TTS plant. That is why before 2012 the name of the company contained the word "Avio"- i.e. TTS Avio. And as for TTS – the abbreviation means: "Transport technological systems." Very convenient and the same in all the languages that most of our clients speak.

# 2021





## Riga Fertilizer Terminal



**Ilya Rybkin,**  
**Project Manager**

We are building a fertilizer transshipment and short-term storage facility, including dome-shaped warehouses. Only a few companies globally are capable of building such facilities. Construction (shotcreting) is preceded by particularly complex calculations.

In response to the customer's request, the LNK Industries group of companies proposed a comprehensive implementation of the terminal project, starting with the design and construction of the complex, including dome-shaped warehouses through to the production and commissioning of technological systems for cargo delivery and handling.

**Roberts Klavins,**  
**Board Member, Riga Fertilizer Terminal**

Our company will provide fertilizer transit services at the Freeport of Riga, creating healthy competition for Western European ports. It is very important for us to be on the same technological level. LNK Industries is our trusted partner, which understands our mission and provides a comprehensive technological solution.



## Riga Bulk Terminal



**Roberts Trautmanis,  
Project Manager**

The project is unique due to the fact that it is produced by the method of Design & Build. Manufacturing and construction literally follow the stages of the design work. The project of a deep-water berth was developed by our specialists in collaboration with the Dutch company Witteveen + Bos; the TTS engineers designed and produced a very sophisticated complex for bulk cargo handling and Latvijas tilti specialists are assembling it.

LNK Industries Group of Companies is building a terminal on a turnkey basis. Hydro-technical solution provides a cordon wall of 333 meters and pile penetration up to 27 meters. The site infrastructure consists of a cargo-handling terminal with surface and underground loading and unloading conveyors.

**Arnis Ronis,  
Executive Director, Riga Bulk Terminal**

We appreciate the consistency and efficiency of the LNK Industries group of companies' operations at the Riga Bulk Terminal. The company's specialists provided solutions, that helped to make our terminal more advanced, and the construction process less expensive. After entering service, it will be the most up-to-date terminal for handling bulk cargo in the Baltics.



## Cargo-passenger terminal



**Mindaugas Kelpsa,**  
**Director of JSC Latvijas tilti Lithuania branch**

For us it is the first hydro-technical project of such a scale, besides, it was implemented abroad, at one of the biggest Baltic ports. I am proud to have participated in the construction of two ramps for vehicles transported by ferry. It was a very useful experience for Latvijas tilti involving integration of the Group's resources – the ramps were designed and produced by companies within the LNK Industries.

LNK Industries is building a cargo-passenger ferry terminal at the Port of Klaipeda. The Project scope includes two berths with automated loading ramps and port infrastructure objects.

**Roma Museckienė,**  
**Infrastructure and Development Director, Port of Klaipeda**

The ferry terminal is very important for the Port of Klaipeda. After it enters service, the cargo throughput capacity is expected to grow. We have involved a strong contractor – the Latvijas tilti company – and its performance met our expectations. Its technological potential complies with the project needs.



## Quicklime transshipment terminal

The quicklime transshipment terminal in Liepaja was designed, built and commissioned on a turnkey basis by LNK Industries. The terminal comprises not only facilities, but also a transshipment system for quicklime delivery and handling, as well as an automated control system.



**Konstantin Volynshikov,  
TTS Technical Director**

In Liepaja, we have designed and built a terminal for handling and storage of quicklime for the needs of the Liepajas Metalurgs plant. Transshipment of cargo from vans into silos and vehicles is carried out in a fully closed regime, eliminating any environment pollution risk and deterioration of lime properties when exposed to weather. It is important to note that the client's most specific requirements in regard to preserving the fractional composition of cargo were met.

**Gennady Romanov,  
Chief Engineer, Industrial Technological Plant Deployment,  
Liepajas Metalurgs**

I would like to mention two important positive aspects of our cooperation with LNK Industries. Firstly, a compact terminal was designed and built exactly according to our requirements. Secondly, the technical solution for the quicklime handling system is based on environment-friendly technology, and that is very important for a company operating in the EU.



## 1st Oil Pier



**Rolands Zelts,  
Project Manager**

LNK Industries EKO consortium is dismantling the 1st Oil pier at the Free Port of Ventspils. Within the framework of the project, we are dismantling the pier and reinforcing the coast. The project is environment-friendly – polluted ground is removed from the pier body and is transferred to a special landfill site where it is mechanically treated.

**Arnis Mazalis,  
Deputy CEO, the Free Port of Ventspils**

Consortium LNK Industries EKO carries out demolition works of the pier in the water area of Free Port of Ventspils. The pier was built in the 60's for oil products transshipment. LNK Industries main area of activity are: demolition of the marine structures, cleaning and disposal of contaminated constructions and ground. This project greatly improves ecological balance of the town, as well as positively effects the growth of modern transit business in Ventspils in general, and the working conditions of the neighboring terminals in particular.

The LNK Industries EKO consortium's task is to dismantle the old oil product pier at the Free Port of Ventspils, to extract pier structures and remove polluted ground for its subsequent treatment. With the aim of protecting the port water area from potential pollution, containment booms were installed.



## The Pearl



**Juris Latvels,**  
**construction supervisor**

The residential complex 'The Pearl', located on the waterfront of Mazais Baltezers, is a challenging project that sets new operational objectives for our team. We have provided advanced architectural and engineering solutions and a modern combination of glass, aluminum and wood on the façade of the residential building. The complex fits into the lush wooded landscape of the lake shore beautifully. It is a very interesting experience for our company.

A modern residential complex, constructed by LNK Industries, comprising a multi-apartment building with full finishing and the relevant infrastructure: internal roads, the technical systems of the building, a pier; as well as provision of necessary facilities on site.

**Gundars Bojars,**  
**Chairman of the Board, LLC New Europe**

Our objective is to offer our clients a habitat with a new level of quality. It's not just apartments; it is a new concept of life quality in the suburbs. When selecting a construction company, we were guided not only by its technical capabilities, but also by its expertise in engineering solutions and, crucially for us, understanding of our concept. Judging by the work progress on the construction site, we are rapidly approaching completion.



## Blueberry

Blueberry – a low-rise eco-housing project of 58 apartments in a cozy and quiet place -Bulduri (Jurmala), next to a thick pine forest between the River Lielupe and the Baltic Sea.



**Vadim Tuntsov,  
Project Manager**

The project is beautiful, technologically feasible and environmentally friendly. We are building it according to the principles of eco-construction, i.e. without interfering, if possible, with the coastline ecosystem. Our experience and construction methods guarantee a desirable outcome.

**Alexandra Bocharnikova,  
Head of Residential Real Estate, LNK Group**

A concept of low-rise eco-housing heralds a new approach of LNK Group to the development of housing projects. Blueberry is designed as a human- and environment-friendly residence, providing peace and comfort. Its self-sufficient integrity ensures efficient utilization of every square meter of the apartments



## Elizabetes Park House



**Juris Latvels,  
Construction Supervisor**

A residential estate Elizabetes Park House at 21a, Elizabetes Street in Riga, is a real gem of Art Nouveau. Just a well done repair was not enough for this project. Within the framework of the renovation of the house,

we managed to reproduce all the architectural and interior design details of the original project of Martins Nuksa (1910), and then carried out finishing in accordance with individual projects.

**Ernestis Bernis,  
Board Member of the LLC Elizabetes Park House**

I am satisfied with LNK Industries' performance. A renovation project usually is associated with tight restrictions for builders. The outcome of the project is excellent and I am very happy to have cooperated with the company. The house has been restored to its original beauty.

LNK Industries has carried out renovation of this magnificent Art Nouveau building, including the replacement of engineering networks, complete reconstruction of original architectural and interior design, apartment finishing according to a special design.



## Riga 1st Hospital

LNK Industries has carried out the reconstruction of two hospital buildings including replacement of the main engineering networks, installation of elevators, ventilation and an air sterilization system, as well as the repair and restoration of hospital buildings façades.



**Alexander Klinkov,**  
**Assistant Foreman**

LNK Industries has renovated two buildings of Riga 1st Hospital. We overhauled the building and replaced the internal engineering networks with modern and state-of-the-art equivalents. In addition, we tried hard to preserve and restore the original architectural features of the building, constructed in 1915.

**Gennady Sevastyanov,**  
**Board Member, Riga 1st Hospital**

Under the supervision of LNK Industries, Riga 1st Hospital was revived: two buildings were considerably renovated (work is still in progress in a third building), elevators, ventilation and lighting were provided, and the buildings were insulated. The façades were cleaned and regained their historical charm, and the buildings now contain light rooms characteristic of a modern medical facility. The construction of operating rooms was performed in compliance with strict hygiene requirements.



## Overpass

LNK Industries is building an overpass and carrying out reconstruction of one of the main streets in Vilnius – Geležinio Vilko, being a member of a consortium together with its Lithuanian partner Kauno Keliai. Within the framework of the project, LNK Industries is partially implementing the design work related to the transfer of local urban infrastructure.



**Andrey Bochkarev,  
Chief Engineer, JSC Latvijas tilti**

The site is situated almost in the center of the city and runs along one of the main transport lanes. That is why enhanced work on coordination of traffic flows, reconstruction and transfer of engineering networks and other extraordinary tasks, is required. In such circumstances, it is necessary to constantly synchronize our operations with the subcontractors to avoid downtime and losses.

**Virginus Pauzha,  
Transport Department Director, Vilnius Municipality**

The present overpass project is the first joint project implemented with LNK Industries. Vilnius is developing rapidly and we are adapting the transportation system to the needs of the city. It is very beneficial for us to cooperate with a company, which not only builds an overpass, but also helps us to solve complex design problems on schedule.



## Residential house, 5 Vidus Street



**Sergey Yakovlev,  
Project manager**

Our team had to cope with an interesting and complicated task due to the fact that the object is located in the area of compact historical development. Modern technology in the form of load-bearing pile wall installation was used followed by an accelerated technological cycle of load-bearing structure construction. .

**Leonid Kil,  
Chairman of the Board, IMG Group of Companies**

In the past, the area, where the house is being constructed, was a model of urban planning. Our project continues the tradition – it contains the best of technology, providing the comfort of living, but in the new century. I believe that Riga has deserved our professional zeal.

LNK Industries is building a residential house in an area of compact historical development. Due to the limited space, the 'Just-in-time-delivery' method is used for delivery of construction materials.

JSC LNK Industries,  
JSC Latvijas tilti,  
TTS (Transportation Technology Systems) Ltd,  
Enfort Ltd  
CONSOLIDATED  
FINANCIAL REPORT

for the period of 12 months as at December 31, 2012

2012



## BALANCE

| ASSETS  | 31.12.12. (EUR)   |
|---|-------------------|
| <b>Non-current assets</b>                                     |                   |
| <b>Intangible assets:</b>                                     |                   |
| Concessions, patents, licenses, trademarks and similar rights | 27,883            |
| <b>Total intangible assets:</b>                               | <b>27,883</b>     |
| <b>Fixed assets:</b>  |                   |
| Land and buildings  | 3,049,913         |
| Leasehold improvements  | 13,142            |
| Equipment and machinery                                       | 4,690,433         |
| Other fixed assets  | 1,046,625         |
| Fixed assets under construction                               | 240,078           |
| Advances for fixed assets                                     | 72,491            |
| <b>Total fixed assets:</b>                                    | <b>9,112,682</b>  |
| <b>Non-current financial investments:</b>                     |                   |
| Investments in associates                                     | 18,953            |
| Other loans and non-current receivables                       | 18,745            |
| Own stock and shares  | 2,864             |
| <b>Total non-current financial investments:</b>               | <b>40,562</b>     |
| <b>Deferred income tax assets:</b>                            | <b>5,117</b>      |
| <b>Total non-current investments:</b>                         | <b>9,186,243</b>  |
| <b>Current assets</b>   |                   |
| <b>Inventories</b>  |                   |
| Raw materials and consumables                                 | 2,515,797         |
| Finished goods and goods for sale                             | 845,623           |
| Advances for inventories                                      | 493,097           |
| <b>Total inventories:</b>                                     | <b>3,854,517</b>  |
| <b>Total inventories:</b>                                     |                   |
| Trade receivables   | 11,486,382        |
| Receivables from group companies                              | 1,036,623         |
| Receivables from group companies                              | 431,687           |
| Other receivables   | 3,091,731         |
| Deferred expenses   | 151,857           |
| Accrued income  | 3,059,115         |
| <b>Total receivables:</b>                                     | <b>19,257,395</b> |
| <b>Current financial investments:</b>                         |                   |
| Current financial investments:                                | 6                 |
| <b>Total current assets:</b>                                  | <b>6</b>          |
| <b>Cash and bank:</b>   | <b>3,146,322</b>  |
| <b>Total current assets:</b>                                  | <b>26,258,240</b> |
| <b>Total assets</b>   | <b>35,444,483</b> |

| EQUITY, PROVISIONS AND LIABILITIES              | 31.12.12. (EUR)   |
|---|-------------------|
| <b>Equity</b>                                   |                   |
| Share capital                                   | 2,372,696         |
| Reserves:                                       |                   |
| other reserves                                  | 42,661            |
| Retained earnings                               |                   |
| previous year's retained earnings               | 4,677,155         |
| current years profit or loss                    | 1,913,337         |
| <b>Total equity:</b>                            | <b>9,005,849</b>  |
| <b>Provisions:</b>                              |                   |
| Other provisions                                | 20,038            |
| <b>Liabilities</b>                              |                   |
| <b>Non-current liabilities:</b>                 |                   |
| Other borrowings                                | 2,452,855         |
| Deferred income                                 | 233,247           |
| Deferred income tax liabilities                 | 238,318           |
| <b>Total non-current liabilities:</b>           | <b>2,924,429</b>  |
| <b>Current liabilities</b>                      |                   |
| Loans from banks                                | 2,368,904         |
| Other borrowings                                | 924,071           |
| Advances from customers                         | 7,401,396         |
| Trade payables                                  | 10,041,844        |
| Payables to group companies                     | 10,993            |
| Payables to associates                          | 139,803           |
| Taxes and social insurance payments             | 492,470           |
| Other liabilities                               | 321,714           |
| Deferred income                                 | 36,727            |
| Deferred income                                 | 1,756,254         |
| <b>Total current liabilities:</b>               | <b>23,494,176</b> |
| <b>Total current liabilities:</b>               | <b>26,418,596</b> |
| <b>Total equity, provisions and liabilities</b> | <b>35,444,483</b> |

## INCOME STATEMENT

|                                      | 2012 (EUR)       |
|--------------------------------------|------------------|
| Net sales                            | 43,734,767       |
| Cost of sales                        | -39,337,933      |
| <b>Gross profit or losses</b>        | <b>4,396,834</b> |
| Distribution expenses                | -255,948         |
| Administrative expenses              | -1,176,014       |
| Other operating income               | 226,316          |
| Other operating expenses             | -488,917         |
| Interest and similar income          | 5,660            |
| Interest and similar expenses        | -450,810         |
| <b>Profit or losses before taxes</b> | <b>2,257,121</b> |
| Corporate income tax                 | -306,196         |
| Other taxes                          | -37,588          |
| <b>Net profit or losses</b>          | <b>1,913,337</b> |

## STATEMENT OF CHANGES IN EQUITY

|                     | Share capital    | Other reserves | Retained earnings | Total            |
|---------------------|------------------|----------------|-------------------|------------------|
| <b>31.12.2011</b>   | <b>2,372,696</b> | <b>42,661</b>  | <b>5,118,678</b>  | <b>7,534,035</b> |
| Dividends           | -                | -              | -441,523          | -441,523         |
| Profit for the year | -                | -              | 1,913,337         | 1,913,337        |
| <b>31.12.2012</b>   | <b>2,372,696</b> | <b>42,661</b>  | <b>6,590,492</b>  | <b>9,005,849</b> |

Artjoms Milovs  
SIA LNK (Latvijas Novitātes Komplekss)  
chairman of the board  
Riga, July 12, 2013

## CASH FLOW STATEMENT

|   | 31.12.12. (EUR)   |
|---|-------------------|
| <b>Cash flow from operating activities</b>                              | <b>2,257,121</b>  |
| Profit or losses before taxes   | 2,257,121         |
| Adjustments for:  |                   |
| depreciation of fixed and intangible assets                             | 1,312,057         |
| interest expenses   | 242,659           |
| other taxes   | -37,588           |
| <b>Cash flow prior to changes in current assets and liabilities</b>     | <b>3,774,249</b>  |
| Inventory (increase)/decrease   | -1,162,212        |
| Account receivable (increase)/decrease                                  | -7,477,249        |
| Account payable increase/(decrease)                                     | 8,195,670         |
| <b>Gross cash flow generated from operating activities</b>              | <b>3,435,920</b>  |
| Corporate income tax paid   | -344,984          |
| <b>Net cash flow generated from operating activities</b>                | <b>3,090,936</b>  |
| <b>Cash flow from investing activities</b>                              |                   |
| Acquisition of fixed and intangible assets                              | -2,074,085        |
| Loans issued  | -2,642,010        |
| Loans repayment received  | 2,500,000         |
| Loans interest received   | 5,127             |
| <b>Net cash flow generated from investing activities</b>                | <b>-2,210,968</b> |
| <b>Cash flow from financing activities</b>                              |                   |
| Increase of the share capital   | 1,962,263         |
| Received donations, subsidies and gifts                                 | -1,155,166        |
| Loans received  | 4,697,266         |
| Loans repaid  | -4,599,236        |
| Interest paid   | -264,451          |
| Dividends paid  | -441,523          |
| <b>Net cash flow generated from financing activities</b>                | <b>239,153</b>    |
| <b>Net increase / (decrease) in cash and cash equivalents</b>           | <b>1,427,984</b>  |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | <b>1,718,338</b>  |
| <b>Cash and cash equivalents at the end of the financial year</b>       | <b>3,146,322</b>  |

Artjoms Milovs  
SIA LNK (Latvijas Novitātes Komplekss)  
chairman of the board  
Riga, July 12, 2013

# INDEPENDENT AUDITOR'S REPORT

on the summary financial statements

## TO THE SHAREHOLDERS OF LNK (Latvijas Novitātes Komplekss) SIA

We have audited the accompanying summary financial statements of LNK (Latvijas Novitātes Komplekss) SIA four subsidiaries – LNK Industries AS, Latvijas Tilti AS, TTS (Transportation Technology Systems) SIA and Enfort SIA (Production and construction division of the Group). These summary financial statements comprise the balance sheet as at 31 December 2012, the income statement, statement of changes in equity and statement of cash flow for the period from 1 January 2012 to 31 December 2012 (the Reporting year).

The summary financial statements derived from the audited financial statements of the Production and construction division of the Group for the Financial year. The audited financial statements have been prepared based on the shareholders request to disclose the financial results and financial position for the Financial year separately for Production and construction division of the Group irrespective to the moment of acquisition of subsidiaries and split of equity between the Group and minority shareholders (Special purpose framework). On 12 July 2013 we have issued the audit report with emphasis of matter paragraph on these audited financial statements.

The summary financial statements do not contain all the disclosures required by the law On Consolidated Annual Reports. Reading the summary financial statements, therefore, is not substitute for reading the audited financial statements of Production and construction division of the Group.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary financial statements based on audited financial statements which has been prepared in accordance with the Law of the Republic of Latvia On Consolidated Annual Reports as far as it does not contradicts with the Special purpose framework.

### Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on the procedures, which were conducted in accordance with the International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

### Opinion

In our opinion, the accompanying summary financial statements derived from the consolidated financial statements are consistent, in all material respects, with consolidated financial statements of Production and construction division of the Group which has been prepared in accordance with the Law of the Republic of Latvia On Consolidated Annual Reports as far as it does not contradicts with the Special purpose framework.

In the emphasis of matter paragraph we draw attention that these financial statements has been prepared on specific purpose to disclose the financial results and financial position for the Financial year separately for Production and construction division of the Group irrespective to the moment of acquisition of subsidiaries. Therefore, the parent company and other subsidiaries of the Group have not been consolidated and minority shareholders interest in Reporting year's financial result and financial position at the end of the Reporting year has not been separately disclosed. Accordingly, these financial statements may not be suitable for another purpose.

Baker Tilly Baltics SIA  
License No. 80



Ēriks Bahirs  
Certified Auditor  
Chairman of the Board  
Certificate No.136

Rīga, 12 July 2013