

**A/S Latvijas tilti**

**ANNUAL REPORT**

**For 12 months period until 31 December 2012**

A/S "Latvijas tilti"  
ANNUAL REPORT  
for period until 31 December 2012

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**INFORMATION ON THE COMPANY**

Name of the company	LATVIJAS TILTI
Legal status of the company	Joint stock company
Number, place and date of registration	Register of the companies Nr. 50003030441 Riga, 7 October 1991  Commercial register Riga, 29 June 2004
Address	Granita street, 15 Stopinu district, Rmbula, LV- 1057 Latvia
Type of operations	Construction
Parent company	SIA Zinātniskās ražošanas apvienība "LNK" (Latvijas Novitātes Komplekss) (further SIA ZRA "LNK") - 89,69%
Branches abroad	1) Branch in Turkmenistan founded in 2010 for realization of construction works of road crossing on motorway, that connects Turkmenbashi city airport and National tourism area "Avaza". 2) Branch in Lithuania founded in 2011 for realization of Klaipeda sea port reconstruction project.
Names and positions of the Board members	Valērijs Gorjuns - chairman of the board Regīna Vitrjaka - member of the board Romāns Maizenbergs - member of the board (from 22.06.2012) Igoris Goļcovs - member of the board (from 22.06.2012) Andrejs Bočkarjovs - member of the board (from 22.06.2012) Sergejs Brovkins - member of the board (till 22.06.2012)
Names and positions of the Council members	Aleksandrs Milovs - chairman of the council Vadims Milovs - vice chairman of the council Boris Rozentāls - member of the council (till 14.06.2012) Andrejs Subočs - member of the council Davids Lipkins - member of the council (from 22.06.2012) Jevgenijs Locovs - member of the council
Financial year	1 January, 2012 - 31 December, 2012
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga LV-1010 Latvia  Certified auditor in charge Eriks Bahirs Certificate No.136

## **REPORT OF THE MANAGEMENT**

### **Type of operations**

Principal activity of AS Latvijas tilti is construction of bridges and other objects, production of concrete and metal constructions.

### **Performance of the Company during the financial year**

In 2012 the Company's net sales amounted to Ls 17 675 966. During the reporting period the construction works of cargo-passenger terminal Nr 80, 81 in Klaipeda's sea port and works in project "Short-term fertilizer storage and handling complex in Riga freeport, Kundzinsala" were continued. AS "Latvijas tilti" as responsible partner together with Lithuanian company "Kauno Keliai" has started construction works in project "Reconstruction of Geležinio Vilko street from A. Goštauto street till M.K. Čiurlionio street in Vilnius, Lithuania". The Company has also started construction works in project "Bulk cargo handling terminal in Riga's freeport territory, Kindziņsala".

During reporting period the Company has actively performed in all directions:

- maintenance, construction and repair works of bridges
- concrete product manufacturing
- hydro construction - construction of wharfs and piers, including construction of platforms on piles in open aquatorium.

### **Financial risk management**

The policy of financial risk management of the Company is described in financial report's Notes 43

### **Post balance sheet events**

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

### **Distribution of profit proposed by the Board**

	2012
	Ls
Profit share to be distributed	65 171
Proposed profit distribution:	
Retained earnings	65 171

### **Future prospects**

In 2012 significant attention was paid to analysis of purchase price of materials, lease of construction equipment and machinery, the steps were taken in the optimization of productivity, which will undoubtedly effect the financial results of 2013. In 2012 substantial investments were made in construction equipment, which has reduced the Company's expenses. The investments are planned to be continued in 2013. Much attention will be paid to an active market research, as well as further application of experience in Lithuania and other European Union countries. Parallel to the bridge works the focus will be put on concrete structures workload. Reviewing the workload in connection with signed and planned contracts it can be said now that the Company's turnover in the 2013 will not decrease, but will even increase.

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Artjoms Milovs  
per procura

Riga, 30 April 2013

**STATEMENT OF THE MANAGEMENT RESPONSIBILITY**

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 28 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

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Artjoms Milovs  
per procura

Riga, 30 April 2013

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**INCOME STATEMENT**

	Notes	2012 Ls	2011 Ls
Net sales	(1)	17 675 966	18 094 225
Cost of sales	(2)	(16 949 181)	(17 054 330)
<b>Gross profit or losses</b>		<b><u>726 785</u></b>	<b><u>1 039 895</u></b>
Distribution expenses	(3)	(17 767)	(16 253)
Administrative expenses	(4)	(431 742)	(547 349)
Other operating income	(5)	273 736	372 371
Other operating expenses	(6)	(248 582)	(144 874)
Interest and similar income	(7)	1 439	271
Interest and similar expenses	(8)	(204 501)	(206 497)
<b>Profit or losses before taxes</b>		<b><u>99 367</u></b>	<b><u>497 564</u></b>
Corporate income tax	(9)	(19 184)	(309 407)
Other taxes	(10)	(15 013)	(14 901)
<b>Net profit or losses</b>		<b><u><u>65 171</u></u></b>	<b><u><u>173 256</u></u></b>
Earnings per share (in Lats)	(11)	0,10	0,26

Notes on pages 11 to 28 are an integral part of these financial statements.

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Artjoms Milovs  
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Riga, 30 April 2013

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**BALANCE SHEET**

		<b>31.12.2012.</b>	<b>31.12.2011.</b>
		Ls	Ls
	<b>Notes</b>		
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
<b>Intangible assets:</b>			
Concessions, patents, licenses, trademarks and similar rights	(12)	5 979	34
<b>Total intangible assets:</b>		<b>5 979</b>	<b>34</b>
<b>Fixed assets:</b>			
Land and buildings	(12)	936 230	809 641
Equipment and machinery	(12)	2 811 003	2 967 602
Other fixed assets	(12)	554 640	664 113
Fixed assets under construction	(12)	-	172
Advances for fixed assets	(12)	2 748	-
<b>Total fixed assets:</b>		<b>4 304 621</b>	<b>4 441 528</b>
<b>Investment property:</b>			
Buildings	(13)	514 356	-
Investment properties under construction	(13)	155 308	-
Advances for investment properties		31 347	-
<b>Total investment property:</b>		<b>701 011</b>	<b>-</b>
<b>Non-current financial investments:</b>			
Investments in associates	(14)	13 320	13 320
Other loans and non-current receivables	(15)	-	2 716
Own shares	(14)	2 013	2 013
<b>Total non-current financial investments:</b>		<b>15 333</b>	<b>18 049</b>
<b>Total non-current investments:</b>		<b>5 026 944</b>	<b>4 459 611</b>
<b>Current assets</b>			
<b>Inventories:</b>			
Raw materials and consumables	(16)	1 607 130	1 249 256
Finished goods and work in progress	(17)	584 930	452 525
Advances for inventories		85 856	23 666
<b>Total inventories:</b>		<b>2 277 916</b>	<b>1 725 447</b>
<b>Account receivable:</b>			
Trade receivables	(18)	4 280 083	4 145 988
Receivables from group companies	(19)	1 417 644	100 149
Receivables from associates	(20)	7 500	45 168
Other receivables	(21)	620 727	821 317
Deferred expenses	(22)	60 873	87 217
Accrued income	(23)	1 268 487	367 156
<b>Total receivables:</b>		<b>7 655 314</b>	<b>5 566 995</b>
<b>Current financial investments:</b>			
Other securities and participation interest	(14)	4	4
<b>Total current financial investments:</b>		<b>4</b>	<b>4</b>
<b>Cash and bank:</b>	(24)	<b>638 890</b>	<b>729 737</b>
<b>Total current assets:</b>		<b>10 572 124</b>	<b>8 022 183</b>
<b><u>Total assets</u></b>		<b><u>15 599 068</u></b>	<b><u>12 481 794</u></b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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**BALANCE SHEET**

		31.12.2012.		31.12.2011.
	Notes	Ls		Ls
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>Equity</b>				
Share capital	(25)	671 000		671 000
Reserves:				
other reserves	(26)	29 982		29 982
Retained earnings				
previous year's retained earnings		3 236 447		3 063 191
current years profit or losses		65 171		173 256
<b>Total equity:</b>		<b>4 002 600</b>		<b>3 937 429</b>
<b>Liabilities:</b>				
<b>Non-current liabilities:</b>				
Other borrowings	(28)	1 482 094		1 518 336
Deferred income tax liabilities	(9)	131 724		142 736
<b>Total non-current liabilities:</b>		<b>1 613 818</b>		<b>1 661 072</b>
<b>Current liabilities:</b>				
Loans from banks	(27)	1 379 086		-
Other borrowings	(28)	558 738		483 830
Advances from customers	(29)	12 075		1 405 754
Trade payables	(30)	5 387 082		3 035 844
Payables to group companies	(31)	1 741 411		5 172
Taxes and social insurance payments	(32)	109 547		240 073
Other liabilities	(33)	148 277		155 005
Accrued liabilities	(34)	646 433		1 557 615
<b>Total current liabilities:</b>		<b>9 982 649</b>		<b>6 883 293</b>
<b>Total liabilities:</b>		<b>11 596 467</b>		<b>8 544 365</b>
<b><u>Total equity and liabilities</u></b>		<b><u>15 599 068</u></b>		<b><u>12 481 794</u></b>

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Artjoms Milovs  
per procura

Riga, 30 April 2013

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**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Other reserves	Retained earnings	Total
	Ls	Ls	Ls	Ls
31.12.2010.	671 000	29 982	3 063 191	3 764 173
Profit for the year	-	-	173 256	173 256
31.12.2011.	671 000	29 982	3 236 447	3 937 429
Profit for the year	-	-	65 171	65 171
31.12.2012.	671 000	29 982	3 301 618	4 002 600

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Riga, 30 April 2013

**CASH FLOW STATEMENT**

	2012	2011
	Ls	Ls
<b>Cash flow from operating activities</b>		
Profit or losses before taxes	<b>99 367</b>	<b>497 564</b>
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets and investment properties	756 868	608 667
losses from sales of fixed assets	17 493	-
write-off of fixed assets	-	8 666
changes in provisions	66 720	-
interest expenses	105 365	101 925
interest income	(1 439)	-
other taxes	(15 013)	(14 901)
<b>Cash flow prior to changes in current assets and liabilities</b>	<b>1 029 361</b>	<b>1 201 921</b>
Inventory (increase)/decrease	(414 878)	(442 397)
Account receivable (increase)/decrease	(2 185 217)	(72 928)
Account payable increase/(decrease)	1 895 228	1 403 793
<b>Gross cash flow generated from operating activities</b>	<b>324 494</b>	<b>2 090 389</b>
Corporate income tax paid in Latvia and abroad	(151 004)	(656 970)
<b>Net cash flow generated from operating activities</b>	<b>173 490</b>	<b>1 433 419</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed and intangible assets and investment properties	(988 150)	(388 495)
Proceeds from sales of fixed assets	104 677	-
Loans issued	(781 629)	-
Loans repayment received	781 629	-
Loans interest received	576	-
<b>Net cash flow generated from investing activities</b>	<b>(882 897)</b>	<b>(388 495)</b>
<b>Cash flow from financing activities</b>		
Loans received	1 632 804	-
Loans repaid	(1 632 804)	(70 280)
Interest paid	(121 351)	(101 925)
Cash received from overdrafts, net	1 379 086	-
Finance lease payments	(639 175)	(677 087)
<b>Net cash flow generated from financing activities</b>	<b>618 560</b>	<b>(849 292)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(90 847)</b>	<b>195 632</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>729 737</b>	<b>534 105</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	<b>(24) 638 890</b>	<b>729 737</b>

Notes on pages 11 to 28 are an integral part of these financial statements.

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Riga, 30 April 2013

**NOTES TO THE FINANCIAL STATEMENTS**

**I. ACCOUNTING POLICIES**

**(1) General principles**

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover method. The cash flow statement has been prepared under indirect cash flow method.

**(2) Reclassification of comparatives**

Certain items have been classified differently than in previous year financial statements. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Reclassified income or expenses	2011 Adjusted Name of line item	2011 Prior adjustments Name of line item	Amount Ls
Income from write-off of provision for doubtful accounts receivable	Other operating expenses	Other operating income	189 000

**(3) Income recognition and net sales**

Net sales contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them.

**(4) Construction contracts**

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company apply the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract or carrying out surveys of work performed to date. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

The Company presents as an asset the gross amount due from the customers for contract work for all contracts in progress for which costs incurred plus recognized profit (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables".

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses). Advances received from customers are included within "advances from customers".

**(5) Foreign currencies**

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies (including carried out by the Company's branches abroad) are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
1 USD	0,531	0,544
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204

**(6) Fixed and intangible assets**

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	<b>Depreciation % per annum</b>
Intangible assets	10-40
Buildings	2-10
Technological equipment	8-30
Other machinery and equipment, transport vehicles	5-50

The Company capitalizes its fixed assets valued over Ls 150 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than 150 Ls is recognized in full after its ready for use.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is prescribed as the highest from fair value less cost to sell or value in use.

**(7) Investment property**

Investment property is property (land, building or part of building) held by the owner or by lessee under a finance lease to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

**Investment property (continuation)**

Investment property initially recognized at costs. Subsequently investment properties are stated at cost less depreciation and impairment losses. Depreciation of buildings is calculated on a straight-line basis applying the following rates of depreciation, based on their estimated useful life:

	<b>Depreciation % per annum</b>
Buildings	2-10

**(8) Capitalization of borrowing and other costs**

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during the period with no active development of asset.

**(9) Lease-to-buy (financial lease)**

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in income statement by method to produce a constant periodic rate of interest on the remaining balance of the liability.

**(10) Lease without redemption rights (operating lease)**

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lessor, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

**(11) Inventories**

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling expenses has not included in cost. Cost is stated on the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

**(12) Account receivable**

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

**(13) Investments in group and associates, other financial investments**

Non-current financial investments, including investments in subsidiaries and associates, are stated at cost less impairment losses.

**(14) Accrued liabilities for unused annual leave**

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

**(15) Taxation**

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of appropriate country.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

**(16) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

**(17) Group companies**

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

**(18) Associates**

An associated company is an entity within a significant influence of the Company. The significant influence is provided by holding no less than 20% and no more than 50% of the share capital or voting rights.

**(19) Related parties**

Related parties are considered Group companies, Board and Council members, their close family members and Companies, in which the previously mentioned persons/Group companies have significant influence or control.

## II. OTHER NOTES

(1) Net sales	2012	2011
	Ls	Ls
<b>By operating activities</b>		
Income from construction works	17 300 104	17 679 221
Income from services and sale of construction products	<u>375 862</u>	<u>415 004</u>
	<b><u>17 675 966</u></b>	<b><u>18 094 225</u></b>
<b>By location</b>		
Income from sales of goods/services in Latvia	9 272 527	10 883 262
Income from sales of goods/services in Lithuania	8 403 439	4 692 629
Income from sales of goods/services in other EU countries	-	113 910
Income from sales of goods/services in Turkmenistan	-	2 404 424
	<b><u>17 675 966</u></b>	<b><u>18 094 225</u></b>
(2) Cost of sales		
Raw materials and consumables	7 298 601	6 005 014
Outsourced services	5 231 194	7 473 028
Salary expenses	2 064 131	2 312 408
Depreciation of fixed assets	745 633	608 667
Social insurance	520 209	527 496
Other costs	<u>1 089 414</u>	<u>127 717</u>
	<b><u>16 949 181</u></b>	<b><u>17 054 330</u></b>
(3) Distribution expenses		
Transportation costs	4 226	11 843
Advertising expenses	<u>13 541</u>	<u>4 410</u>
	<b><u>17 767</u></b>	<b><u>16 253</u></b>
(4) Administrative expenses		
Salary expenses	141 230	205 161
Transportation costs	52 400	69 070
Representation costs	44 326	585
Social insurance costs	33 587	34 163
Professional service costs	31 860	59 526
Communication expenses	21 093	30 219
Cash turnover expenses	18 510	25 621
Office expenses	15 792	13 846
Research expenditure	-	56 555
Other administrative expenses	<u>72 943</u>	<u>52 603</u>
	<b><u>431 742</u></b>	<b><u>547 349</u></b>
(5) Other operating income		
Income from sale of materials and services	80 528	97 637
Income from leasing of investment properties (see Note 13)	60 000	-
Net gain from disposal and write-off of fixed and current assets	21 928	22 797
Net income from other services	10 506	-
Received ESF project funding	3 373	-
Net income from accident insurance claim	-	119 797
Other income	<u>97 401</u>	<u>132 140</u>
	<b><u>273 736</u></b>	<b><u>372 371</u></b>

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	2012	2011
	Ls	Ls
<b>(6) Other operating expenses</b>		
Expenses from sale of materials and services	119 898	73 609
Provisions for bad and doubtful debts, net change	68 324	(145 558)
Donations	21 500	10 500
Cost of leased investment property	8 485	-
Expenses related to the ESF project	5 735	-
Other expenses	24 641	206 323
	<u><b>248 582</b></u>	<u><b>144 874</b></u>
<b>(7) Interest and similar income</b>		
Interest income	1 439	-
Other income	-	271
	<u><b>1 439</b></u>	<u><b>271</b></u>
<b>(8) Interest and similar expenses</b>		
Interest charge, including bank's commissions for issued guarantees (see Note 41)	105 365	101 925
Net loss from sale of foreign currency	45 050	18 896
Penalties paid	37 672	43 226
Net loss from exchange rate fluctuations	16 414	42 450
	<u><b>204 501</b></u>	<u><b>206 497</b></u>
<b>(9) Corporate income tax</b>		
<b>a) Components of corporate income tax</b>		
Changes in deferred income tax	(11 012)	(10 083)
Corporate income tax according to the tax return	30 196	10 061
Corporate income tax according to the tax return abroad	-	311 668
Corporate income tax correction for previous year	-	(2 239)
	<u><b>19 184</b></u>	<u><b>309 407</b></u>
The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:		
	2012	2011
	Ls	Ls
Profit before taxes	99 367	497 564
Other taxes (real estate taxes)	(15 013)	(14 901)
Profit before corporate income tax	<u>84 355</u>	<u>482 663</u>
Theoretically calculated tax at 15% tax rate	<u><b>12 653</b></u>	<u><b>72 399</b></u>
Tax effects on:		
Non-deductible expenses for tax purposes	27 203	53 168
Non-taxable income	(10 297)	-
Tax discounts for donations and reinvested profit	(20 353)	(22 027)
Non-deductible income tax paid abroad	-	89 756
Previous year's error in deferred tax and corporate tax calculation	6 948	(2 239)
Changes in classification of temporary differences	(2 047)	28 350
Other permanent differences	(84 923)	-
Changes in unrecognized deferred tax asset	90 000	90 000
<b>Total corporate income tax expenses</b>	<u><b>19 184</b></u>	<u><b>309 407</b></u>

**Corporate income tax (continuation)**

	<b>2012</b>	<b>2011</b>
	Ls	Ls
<b>b) Movement and components of deferred tax</b>	<b>Ls</b>	<b>Ls</b>
Deferred tax liabilities (asset) at the beginning of the financial year	142 736	152 819
Deferred tax charged to the income statement	<u>(11 012)</u>	<u>(10 083)</u>
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<b><u>131 724</u></b>	<b><u>142 736</u></b>

The deferred income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	Ls	Ls
Temporary difference on depreciation of fixed and intangible assets	<u>249 249</u>	<u>269 178</u>
Gross deferred tax liabilities	<b><u>249 249</u></b>	<b><u>269 178</u></b>
Temporary difference on accruals for annual leave	(47 189)	(44 344)
Temporary difference on provision for doubtful receivables	-	(2 047)
Temporary difference on provision for impaired materials	(25 832)	(30 301)
Tax losses carried forward in Lithuania	(44 504)	(139 750)
Unrecognized deferred tax asset for carried forward losses	-	90 000
Gross deferred tax assets	<u>(117 525)</u>	<u>(126 442)</u>
<b>Net deferred tax liability (assets)</b>	<b><u>131 724</u></b>	<b><u>142 736</u></b>

	<b>2012</b>	<b>2011</b>
	Ls	Ls
<b>(10) Other taxes</b>		
Real estate tax for land	2 199	1 940
Real estate tax for buildings	<u>12 813</u>	<u>12 961</u>
	<b><u>15 013</u></b>	<b><u>14 901</u></b>

**(11) Earnings per Share (in Lats)**

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	<b>2012</b>	<b>2011</b>
Profit attributed to shareholders of the Company (lats)	65 171	173 256
Average annual number of shares	<u>671 000</u>	<u>671 000</u>
<b>Earnings per share (in lats)</b>	<b><u>0,10</u></b>	<b><u>0,26</u></b>

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**(12) Intangible and fixed assets**

	Concessions, patents, licenses, trade marks and similar rights	Fixed assets					Total fixed assets
	Land and buildings	Equipment and machinery	Other fixed assets	Fixed assets under construction	Advances for fixed assets		
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
<b>Cost</b>							
31.12.2011.	9 031	1 266 036	5 083 312	1 438 122	172	-	7 787 642
Additions	6 885	-	425 584	256 063	440 326	2 748	1 124 721
Disposals	(1 701)	-	(291 605)	(62 380)	-	-	(353 985)
Reclassified from fixed assets under construction	-	440 498	-	-	(440 498)	-	-
Reclassification between other asset items	-	(412 208)	-	(193 539)	-	-	(605 747)
31.12.2012.	14 215	1 294 326	5 217 291	1 438 266	-	2 748	<b>7 952 631</b>
<b>Depreciation</b>							
31.12.2011.	(8 997)	(456 395)	(2 115 710)	(774 009)	-	-	(3 346 114)
Calculated	(939)	(61 709)	(493 786)	(192 879)	-	-	(748 374)
Disposals	1 700	-	203 208	28 427	-	-	231 635
Reclassification between other assets items	-	160 008	-	54 835	-	-	214 843
31.12.2012.	(8 236)	(358 096)	(2 406 288)	(883 626)	-	-	<b>(3 648 010)</b>
<b>Net carrying amount 31.12.2011.</b>	<b>34</b>	<b>809 641</b>	<b>2 967 602</b>	<b>664 113</b>	<b>172</b>	<b>-</b>	<b>4 441 528</b>
<b>Net carrying amount 31.12.2012.</b>	<b>5 979</b>	<b>936 230</b>	<b>2 811 003</b>	<b>554 640</b>	<b>-</b>	<b>2 748</b>	<b>4 304 621</b>

a) Cadastral values

Cadastral value of freehold land as at December 31, 2012 is Ls 146 612 (31.12.2011: Ls 146 612). Cadastral value for the buildings is Ls 677 579 (31.12.2011: Ls 854 207).

b) Joint ownership of real estate

In previous year the Company has sold conditional part of it's real estate (land plot and buildings on it), that amounted to about 19% from whole real estate. In the same year parties have signed written agreement stating the Company's exclusive rights to use all buildings and on 76 200 m2 land plot's part from total 177 500 m2 land plot.

In July 2010 the additional agreement was signed on joint usage of real estate, in accordance to which parties agree on rights to use separately and independently each land plot's existing communication facilities, road and entrance area and other rights.

c) Fixed assets under finance lease

Net carrying amount of fixed assets acquired under finance lease as at December 31, 2012 is Ls 2 503 286 (31.12.2011 - Ls 2 320 610). The ownership of those assets will be transferred to the Company after the settlement of all lease liabilities (see Note 28).

**Intangible and fixed assets (continuation)**

d) Reclassification of materials to fixed assets

In July 2012, the Company has transferred metal constructions workshop activity to group company SIA TTS LNK (previously SIA kompānija TTS-Avio), that is, sold with metal constructions workshop related inventories, fixed assets and started to lease out the premises of production workshop. These production premises, previously recognized in fixed assets, were reclassified at residual value 252 200 Ls to investment properties.

In the middle of the reporting year fixed assets with residual value 138 704 Ls were reclassified to materials due to the change of usage purpose.

e) Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 27 and 41 to the financial statements.

**(13) Investment property**

	Buildings	Investment property under construction	Advances for investment properties	Total
	Ls	Ls	Ls	Ls
<b>Cost</b>				
31.12.2011.	-	-	-	-
Additions	-	425 019	31 347	456 366
Reclassified from investment property under construction	269 711	(269 711)	-	-
Reclassified from fixed assets (see Note 12 d))	412 208	-	-	412 208
31.12.2012.	<u>681 919</u>	<u>155 308</u>	<u>31 347</u>	<u>868 574</u>
<b>Depreciation</b>				
31.12.2011.	-	-	-	-
Calculated	(7 555)	-	-	(7 555)
Reclassified from fixed assets	(160 008)	-	-	(160 008)
31.12.2012.	<u>(167 563)</u>	<u>-</u>	<u>-</u>	<u>(167 563)</u>
<b>Net carrying amount 31.12.2011.</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net carrying amount 31.12.2012.</b>	<u><u>514 356</u></u>	<u><u>155 308</u></u>	<u><u>31 347</u></u>	<u><u>701 011</u></u>

Information on pledged investment properties is disclosed in the Note 27 and 41 to the financial statements.

The Company has chosen the cost model for the evaluation of investment properties. The Company has not performed the market value evaluation of the investment properties by independent valuer, but by the management estimates it could not be lower than the cost.

In 2012 the borrowing costs capitalized amounted to 3 934 Ls (2011: 0 Ls).

As mentioned in the Note 12 d) the Company leases out to the group company SIA TTS LNK metal constructions workshop premises. The agreement of production premises lease was signed for 5 years, till 30 June 2017. During the reporting year the rental income from investment properties was Ls 60 000 and direct operating expenses - Ls 8 485.

**(14) Equity investments**

**a) movement of investments**

	Non-current			Current	Total
	Investments in subsidiaries	Investments in associates	Own shares	Other securities and investment	
	Ls	Ls	Ls	Ls	
<b>Cost</b>					
31.12.2011.	-	13 320	2 013	4	15 337
31.12.2012.	-	13 320	2 013	4	15 337
<b>Net carrying amount 31.12.2011.</b>	<b>-</b>	<b>13 320</b>	<b>2 013</b>	<b>4</b>	<b>15 337</b>
<b>Net carrying amount 31.12.2012.</b>	<b>-</b>	<b>13 320</b>	<b>2 013</b>	<b>4</b>	<b>15 337</b>

**b) investments in subsidiaries**

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2011.	31.12.2012.	31.12.2011.	31.12.2012.	2011	2012
		%	%	Ls	Ls	Ls	Ls
General partnership Latvijas tilti & SZMA Rīga	Stopinu district, Rumbula, Granita street 15	70	70	-	-	-	-

Principal activity of general partnership Latvijas tilti & SZMA Rīga is construction services.

In June 2011 new general partnership Latvijas tilti & SZMA Rīga was founded without share capital with 70% AS Latvijas tilti participation. General partnership was founded for the realization of project "Riga Ukrainian secondary school buildings in Riga, Visvalza Street 4, reconstruction with design", which 70% execution was ordered to the Company.

The Company did not prepare consolidated financial statements for the 2011 financial year with the general partnership Latvijas tilti & SZMA Rīga, as in the Company's management assessment general partnership's performance and financial position is immaterial. If the consolidation was made, the group's (consisting of the Company and general partnership Latvijas tilti & SZMA), net sales would increase by approximately 380 thousand lats in 2011. During the reporting year the general partnership has not performed any activities.

**c) investments in associates**

Name	Address	Type of operations	Participating interest	
			31.12.2012.	31.12.2011.
			%	%
AS Transport Systems	E.Melngaiļa street 1a, Riga	Designing, construction services	12,5	12,5
General partnership TLTB	E.Melngaiļa street 1a, Riga	Construction services	25	25
Mostootrjad 17	S.Peterburg Institutskiy pr.,21, Russia	Construction services	50	50
General partnership LT Celtniecība	Stopinu district, Rumbula, Granita street 15	Construction services	50	50
General partnership LNK Industries partnership (previously PS BCC&LT)	Bieķensalas street 6, Riga	Construction of residential and non-residential buildings	33	50
General partnership LNK Industries Group	Sporta street 7, k-1, Riga	Construction of residential and non-residential buildings	50	-
General partnership LNK Industries EKO	Sporta street 7, k-1, Riga	Construction services	35	-

The Company is also a member in other general partnerships, but during the year they have not performed any activities.

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	<b>31.12.2012.</b>	<b>31.12.2011.</b>
<b>(15) Other loans and non-current receivables</b>	<b>Ls</b>	<b>Ls</b>
Advance payments of operating lease agreements, non-current part (see Notes 21)	-	2 716
	<u>-</u>	<u>2 716</u>

In 2010 the Company has concluded two new lease agreements with SIA "DnB Līzings" for 2 cars with a lease period of 36 months. Under these agreement the Company had to carry out first payments in amount of 15-25% of the purchase price. The Company depreciates these payments over the lease period and the amount of 2 716 Ls is the non-current part of first payments payable in 2013, which on 31 December 2012 is disclosed under other current receivables.

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
<b>(16) Raw materials and consumables</b>	<b>Ls</b>	<b>Ls</b>
Raw materials and consumables	1 709 734	888 700
Accruals for impaired materials	(172 211)	(202 009)
Spare parts and other materials	69 607	34 529
Goods in transit	-	528 036
	<u><b>1 607 130</b></u>	<u><b>1 249 256</b></u>

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
<b>(17) Finished goods and work in progress</b>	<b>Ls</b>	<b>Ls</b>
Metal constructions	477 375	305 293
Concrete products	107 555	147 232
	<u><b>584 930</b></u>	<u><b>452 525</b></u>

Considering that Company's existing inventory may be used in construction projects or sold, it is classified in a joint item "Finished goods and work in progress."

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
<b>(18) Trade receivables</b>	<b>Ls</b>	<b>Ls</b>
Book value of trade receivables in Lithuania	2 487 173	651 834
Retentions	1 469 131	1 842 542
Book value of trade receivables in Latvia	453 421	862 832
Book value of trade receivables in Turkmenistan	145 104	994 813
(Provisions for bad and doubtful debts)	(274 746)	(206 033)
	<u><b>4 280 083</b></u>	<u><b>4 145 988</b></u>

Provisions for bad and doubtful debts have been made 20-100 % of their book value.

Part of the debts of the Turkmenistan project in amount of 347 065 Ls and part of retentions in amount of Ls 249 545 derived from rendered construction services and supplied materials in 2011. Part of the debts at the end of the 2012 became due. As per the Company's management assessment, these debts are fully recoverable, but by the precautionary principle provisions in the amount of 20% were made.

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
<b>(19) Receivables from group companies</b>	<b>Ls</b>	<b>Ls</b>
AS LNK Industries debt for construction services	740 077	-
AS LNK Industries retentions	584 889	-
SIA TTS LNK debt for sales of metal constructions	-	100 149
Other receivables from related parties	92 677	-
	<u><b>1 417 644</b></u>	<u><b>100 149</b></u>

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	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
<b>(20) Receivables from associates</b>		
Debts of general partnerships LT Celtniecība and TLTB	7 500	22 634
Retentions of general partnership LT Celtniecība	7 268	22 534
(Provisions for bad and doubtful debts)	<u>(7 268)</u>	<u>-</u>
	<b><u>7 500</u></b>	<b><u>45 168</u></b>
<b>(21) Other receivables</b>		
Advance payments for works and services	307 056	336 763
Provisions on advance payments fro works and services	(42 976)	(39 234)
Corporate income tax overpaid (see Note 32 for details)	198 983	454 649
VAT overpaid (see Note 32 for details)	77 825	3 080
Payments to personnel	74 453	70 313
Advance payments of operating lease agreements, current part (see also Note 15)	2 716	3 989
Current loans	444	2 044
Other receivables	4 876	5 366
Provision for other receivables	<u>(2 650)</u>	<u>(15 653)</u>
	<b><u>620 727</u></b>	<b><u>821 317</u></b>
<b>(22) Deferred expenses</b>		
Prepayments of insurance payments	48 592	68 353
Other expenses	<u>12 281</u>	<u>18 864</u>
	<b><u>60 873</u></b>	<b><u>87 217</u></b>
<b>(23) Accrued income</b>		
Accrued income related to construction contracts (see Note a))	1 234 598	367 156
Other accrued income	<u>33 889</u>	<u>-</u>
	<b><u>1 268 487</u></b>	<b><u>367 156</u></b>
<b>a) Construction contracts</b>		
Costs incurred and profit recognised as income	<u>1 234 598</u>	<u>327 624</u>
Gross amount of accrued income	<b><u>1 234 598</u></b>	<b><u>327 624</u></b>
where:		
Work-in-progress under assets (as "Accrued income")	1 234 598	180 464
Work-in-progress under liabilities (as "Accrued liabilities")	<u>-</u>	<u>(39 532)</u>
	<b><u>1 234 598</u></b>	<b><u>140 932</u></b>
Corresponding amounts:		
Contract revenue recognised in income statement (as "Net sales")	17 300 104	17 679 221
Advances received from customers (as "Advances from customers" and "Payables to group companies")	1 184 849	1 405 754
Retentions on construction contracts (as "Trade receivables" and "Receivables from associates")	1 476 399	1 865 076
<b>(24) Cash and bank</b>	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
Cash at bank on current accounts	638 059	713 828
Cash on hand	831	10 989
Cash in transit	<u>-</u>	<u>4 920</u>
	<b><u>638 890</u></b>	<b><u>729 737</u></b>

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**(25) Share capital**

As at December 31, 2012 the registered and fully paid share capital is Ls 671 000, composed of 671 000 ordinary shares with a nominal value of 1 Ls each. The share capital with voting rights is Ls 668 987, without voting rights personal shares - Ls 2 013.

**(26) Reserves**

According to the Latvian statutory requirements the Company in the previous periods created the legal reserves. This legal requirements are no more effective in the reporting year. These reserves expected to be reclassified to retained earnings.

<b>(27) Loans from banks</b>	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
AS Danske Bank overdraft balance *	1 379 071	-
AS Citadele banka bank account balance	15	-
	<u><b>1 379 086</b></u>	<u><b>-</b></u>

\* In 2012 the Company has signed overdraft agreement with AS Danske Bank with overdraft limit of 1,5 millions LVL and 2,8 millions EUR with repayment terms until 31 July 2013 and 1 October 2013 and interest rates 1 week's Rigibor + 1,3% per annum and 1 week's Euribor + 1,4% per annum. At 31 December 2012 the Company has used overdraft facilities in amount of 1 163 751 Ls and 306 365 EUR.

As security in case of claims that may arise from the signed overdraft agreements the Company has pledged all its assets as a unity at the moment of pledge as well as future components of this unity to AS Danske Banks, including real estates, mechanical transport equipment, receivables claim rights etc. The maximum amount of claims secured by mortgage commercial pledge is 2 600 250 Ls.

<b>(28) Other borrowings</b>	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
<b>Non-current</b>		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	1 482 094	1 496 675
Liabilities according to the finance lease agreements, payable over 5 years	-	21 661
	<u><b>1 482 094</b></u>	<u><b>1 518 336</b></u>
<b>Current</b>		
Liabilities according to the finance lease agreements, payable within 1 year	558 738	483 830
	<u><b>558 738</b></u>	<u><b>483 830</b></u>

As disclosed in Note 12 the Company has acquired assets under finance lease from SIA "DnB Līzings": trucks and auto vehicles, technological equipment and other fixed assets. In financial year nine new financial lease agreements were concluded. Interest payments of average interest rate 3 months Euribor + 1,2%-3% per annum are due on monthly basis. Financial lease repayment dates are starting from January 2013 until October 2017.

In case of breaking an agreement the Company may have a duty to pay extra payments in accordance with the terms of the agreement.

In accordance with the agreements the minimum finance lease payments are:	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
Payable within 1 year	575 500	545 605
Payable from 2 to 5 years	1 600 530	1 593 413
Payable over 5 years	-	21 755
Finance lease gross liabilities	<u><b>2 176 030</b></u>	<u><b>2 160 773</b></u>
Future finance costs	(135 198)	(158 607)
Present value of finance lease liabilities	<u><b>2 040 832</b></u>	<u><b>2 002 166</b></u>

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	31.12.2012.	31.12.2011.
	Ls	Ls
<b>(29) Advances from customers</b>		
Advances from customers in Latvia	12 075	133 351
Advances from customers in Lithuania	-	1 272 403
	<u>12 075</u>	<u>1 405 754</u>

<b>(30) Trade payables</b>		
Trade payables - Latvia, EU	5 021 377	2 326 672
Retentions	365 631	296 763
Trade payables - Turkmenistan	74	412 409
	<u>5 387 082</u>	<u>3 035 844</u>

<b>(31) Payables to group companies</b>		
Advances from AS LNK Industries for construction services	1 172 774	-
Payable to SIA Enfort for received works and services	296 567	-
Payable to SIA TTS LNK for received works and services	269 629	3 626
Payable to SIA ZRA LNK for received services	2 441	305
Payable to SIA Irbe LNK for received services	-	690
Payable to SIA Aviatest LNK for received works and services	-	551
	<u>1 741 411</u>	<u>5 172</u>

	31.12.2011.	Calculated	Calculated	(Paid)/ repaid	Transferred	31.12.2012.
	Ls	Ls	penalty and delay fees Ls	Ls	to/(from) other taxes Ls	Ls
VAT	103 850	(655 489)	412	158 149	315 253	(77 825)
Personal income tax	11 939	397 574	727	(174 531)	(218 396)	17 313
Social insurance payments	51 926	701 063	-	(283 143)	(459 452)	10 394
Corporate income tax	(446 051)	39 786	576	(151 004)	363 079	(193 614)
Real estate tax (land)	0	2 199	-	(2 199)	-	0
Real estate tax (buildings)	100	12 813	-	(12 813)	-	100
Natural resource tax	155	728	1	(313)	(238)	333
State risk duty	1	725	3	(361)	(246)	122
VAT abroad	(3 080)	1 001 067	116	(938 517)	-	59 586
Corporate income tax abroad	(8 598)	3 229	-	-	-	(5 369)
Other taxes abroad	72 102	248 477	(103)	(298 777)	-	21 699
<b>Total</b>	<u>(217 656)</u>	<u>1 752 172</u>	<u>1 732</u>	<u>(1 703 509)</u>	<u>0</u>	<u>(167 261)</u>
Hereof						
<b>(Overpaid) - see Note 21 for details</b>	<b>(457 729)</b>					<b>(276 808)</b>
<b>Payables</b>	<b>240 073</b>					<b>109 547</b>

The calculated corporate income tax amount consists of the actual calculated tax during the year in amount of 30 196 Ls and the calculated withholding tax from payments to non-residents in amount of 9 590 lats.

In reporting year the Company has also used the corporate income tax allowance for donations made and reinvested profit (see Note 9 for details).

	31.12.2012.	31.12.2011.
	Ls	Ls
<b>(33) Other liabilities</b>		
Salaries	130 036	131 484
Other liabilities	18 241	23 521
	<u>148 277</u>	<u>155 005</u>

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	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
<b>(34) Accrued liabilities</b>		
Accrued unused annual leave expenses	345 454	303 584
Accrued liabilities for guarantee expenses (see Note 41)	26 081	20 592
Accrued liabilities for goods in transit	-	528 036
Accrued expenses for construction contracts (see Note 23)	-	39 532
Other accrued liabilities	274 898	665 871
	<b><u>646 433</u></b>	<b><u>1 557 615</u></b>
	<b>2012</b>	<b>2011</b>
	<b>Ls</b>	<b>Ls</b>
<b>(35) Fees paid to auditors</b>		
For the audit of financial statements	8 000	7 100
For other assurance engagements	300	8 200
For tax consulting	548	2 715
	<b><u>8 848</u></b>	<b><u>18 015</u></b>
	<b>2012</b>	<b>2011</b>
<b>(36) Average number of employees</b>		
Average number of employees during the financial year in Latvia	243	245
Average number of employees during the financial year in Lithuania	67	17
Average number of employees during the financial year in Turkmenistan	4	60
	<b><u>314</u></b>	<b><u>322</u></b>
	<b>2012</b>	<b>2011</b>
	<b>Ls</b>	<b>Ls</b>
<b>(37) Remuneration to personnel</b>		
Employee pay in Latvia and abroad	2 205 361	2 517 569
Social insurance payments in Latvia and abroad	553 796	561 659
	<b><u>2 759 157</u></b>	<b><u>3 079 228</u></b>
<b>(38) Remuneration to the management</b>		
Board members		
· salary expenses	69 614	64 460
· other social insurance expenses	11 189	15 105
Council members		
· salary expenses	46 742	72 228
· other social insurance expenses	16 546	16 222
	<b><u>144 091</u></b>	<b><u>168 015</u></b>

**(39) Transactions with related parties**

The parent company of the Company, who owns 89,69% of shares of the Company, is SIA ZRA "LNK", which is registered in Latvia.

In 2012 the Company had economic transactions with the following group companies that are directly or indirectly subsidiaries of SIA ZRA "LNK" - SIA "TTS LNK" (previously SIA Kompānija "TTS-Avio"), SIA "Irbe LNK", SIA "Aviatest LNK", AS "LNK Industries", as well as with other Company's related parties.

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**a) claims and liabilities**

	Notes	31.12.2012.		31.12.2011.	
		Receivables	Payables	Receivables	Payables
		Ls	Ls	Ls	Ls
<b>Group companies</b>					
SIA TTS LNK	(19)	22 739	269 629	100 149	3 626
SIA ZRA LNK	(31)	-	2 441	-	305
SIA Irbe LNK	(31)	-	-	-	690
SIA Aviatest LNK	(19)	69 938	-	-	551
SIA Enfort	(31)	-	296 567	-	-
AS LNK Industries	(19)	1 324 967	1 172 774	-	-
		<b>1 417 644</b>	<b>1 741 411</b>	<b>100 149</b>	<b>5 172</b>

**b) transactions**

	Sales to related parties		Purchases from related parties	
	2012	2011	2012	2011
	Ls	Ls	Ls	Ls
<b>Group companies</b>				
SIA TTS LNK - purchase/sale of goods	161 976	100 791	987 993	375 928
SIA TTS LNK - other services	95 957	5 231	43 752	4 268
SIA TTS LNK - construction services	17 682	-	-	-
SIA Irbe LNK - other services	-	-	3 520	59 223
SIA ZRA LNK - purchase of fixed assets	-	-	176	-
SIA ZRA LNK - other services	-	-	1 750	458
SIA ZRA LNK - loan interest	531	-	1 345	120
SIA Aviates LNK - purchase/sale of goods	2 000	-	3 362	452
SIA Aviates LNK - other services	295 582	-	288	-
SIA Aviates LNK - loan interest	-	-	14	-
SIA Aviates LNK - construction services	120 367	-	-	-
SIA Celtniecības kvalitātes aģentūra (CKA) - construction and other services	-	-	-	694 098
AS LNK Industries - construction services	6 197 627	-	-	834 726
AS LNK Industries - other services	31 859	-	-	-
AS LNK Industries - loan interest	8	-	-	-
SIA Mūkusalas centrs - loan interest	-	-	14	-
SIA Enfort - construction services	-	-	374 282	-
General partnership "Latvijas tilti & SZMA Rīga" - construction services	-	838 920	-	-
SIA Baltijas Loģistikas parks - other services	1 939	-	2 461	-
	<b>6 925 528</b>	<b>944 942</b>	<b>1 418 957</b>	<b>1 969 273</b>
<b>Other related parties</b>				
General partnership LT Celtniecība - construction services	-	260 000	-	-
	<b>0</b>	<b>260 000</b>	<b>0</b>	<b>0</b>
	<b>6 925 528</b>	<b>1 204 942</b>	<b>1 418 957</b>	<b>1 969 273</b>

**(40) Contingent liabilities**

The Company is a defendant in a law suit, which has arisen from subcontractor's claim against the Company for the breach of sub-contract agreement and the total claim is 62 580 Ls. In April 2013 shortened court judgement was pronounced rejecting the claim in full. The subcontractor has the right to appeal, but by the management assessments, if appealed, the outcome of the case will be in favour of the Company. The financial statements do not include any provisions for liabilities, which could arise from the law suit.

The Company's balance sheet contains the debts of this subcontractor to the Company in amount of 14 607 Ls, for which 80% provision were made.

**(41) Guarantee liabilities, guarantee issuance agreements, pledge of assets**

In accordance with signed agreements with customers the Company provides free remove of work defects and in certain cases provides bank guarantees and insurance. Accruals for potential liabilities and expenses in the period of guarantee at the end of the reporting period are in amount of Ls 26 081 (31.12.2011: Ls 20 592) (see Notes 34).

In 2011 the Company has signed guarantee issuance agreement with AS Danske Bank with the guarantee limit of 8 millions EUR with term until 31.07.2016 and interest rate from 0,75% till 1,05% depending on the guarantee period.

As security in case of claims that may arise from the signed guarantee and overdraft agreements the Company has pledged its real estate: land plot and buildings, all its assets as a unity at the moment of pledge as well as future components of this unity, as well as several Company's motor vehicles to AS Danske Bank. The maximum amount of claims secured by mortgage commercial pledge in relation to guarantee issuance agreement is Ls 7 309 162.

**(42) Operating lease commitments**

The Company uses several auto vehicles, received under operating lease agreements from SIA DnB Līzings. At the end of reporting period the Company has in force three operating lease agreements with repayment dates starting from April 2013 and until September 2016. In 2012 income statement recognized the rental expenses of Ls 12 185 (2011: Ls 19 533).

In case of breaking an agreement the Company may have a duty to pay extra payments for lease object ransom or other payments in accordance with the terms of the agreement.

In accordance with the rental agreements, the Company has following non-cancellable lease liabilities:	<b>31.12.2012.</b>	<b>31.12.2011.</b>
	<b>Ls</b>	<b>Ls</b>
Payable within 1 year	6 516	8 679
Payable from 2 to 5 years	<u>5 097</u>	<u>10 159</u>
	<b><u>11 612</u></b>	<b><u>18 838</u></b>

**(43) Financial risk management**

Financial risks, related to the financial instruments of the Company, mainly, are foreign currency risks, interest rate risk, liquidity risk and credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Foreign currency risks

The company is subject to foreign currency exchange rate fluctuations, mainly due to its loans and other liabilities performed with euro, USD and LTL currency, and trade receivables is euro, USD and LTL currency.

Since 2005 the Bank of Latvia has stated a fixed currency exchange rate for lats against euro, i.e. 0.702804, and ensure that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

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The Company's foreign exchange open position is:

	<b>31.12.2012.</b>	<b>31.12.2011.</b>
Financial assets, EUR	278 206	2 164 842
Financial liabilities, EUR	<u>(5 502 259)</u>	<u>(4 300 935)</u>
Open position EUR, net	<u>(5 224 053)</u>	<u>(2 136 093)</u>
<b>Open position EUR, calculated in lats, net</b>	<b><u>(3 671 485)</u></b>	<b><u>(1 501 255)</u></b>
Financial assets, USD	1 041 566	2 142 328
Financial liabilities, USD	<u>-</u>	<u>-</u>
Open position USD, net	<u>1 041 566</u>	<u>2 142 328</u>
<b>Open position USD, calculated in lats, net</b>	<b><u>553 072</u></b>	<b><u>1 165 426</u></b>
Financial assets, LTL	21 318 580	6 488 247
Financial liabilities, LTL	<u>(10 760 749)</u>	<u>(8 644 979)</u>
Open position LTL, net	<u>10 557 831</u>	<u>(2 156 732)</u>
<b>Open position LTL, calculated in lats, net</b>	<b><u>2 153 798</u></b>	<b><u>(439 973)</u></b>

*Interest rate risks*

The Company is subject to the interest rate risk, mainly with respect to its variable interest rate financial lease and overdraft agreements.

*Credit risk*

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts.

*Liquidity risk*

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents.

**(44) Subsequent events**

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2012.

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Artjoms Milovs  
per procura

Riga, 30 April 2013

The annual report has been approved by the general meeting of members \_\_\_\_\_ 2013

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