

Latvia - the sea gate to Russia and CIS countries.

(Content – Slide 2)

(About Latvia – Slide 3)

The geographic position of Latvia has always defined its important role in international trade. There are three non-freezing ports on the border between the European Union, Russia, and Belarus, 1) united railway 2) automotive infrastructure, and 3) a rapidly developing aviation unit. All of these create preconditions for Latvia to be transformed into a large logistic centre.

(The map – Slide 4)

(GDP – Slide 5)

Even today, despite the economic crisis that Baltic countries suffer deeply, Latvian ports have only insignificantly decreased the amount of trans-shipments. Riga port has even increased the trans-shipment volume.

(Latvian economy situation – Slide 6)

A young and unbalanced Latvian economy orientated to the trade of imported goods, speculative real estate operations and the following growth of the construction industry, (undermined by excessive costs of state machinery), went through impetuous growth in the period of 2004 - 2007 and entered a severe recession that continues still. The situation is aggravated by the unprofessional actions of the government, a government that is more concerned with the coming elections more than with the problem of the country's economic upturn. The banks do not help businesses. Their excuse is in the losses experienced due to bursting of the real estate bubble that has been inflated by their own crediting. Still banks do not credit other industries as well. Today the entrepreneurs must use all available methods to keep their businesses and make them profitable. Those who can't do this lose everything.

(GDP chart – Slide 7)

(Advantages of crisis situation – Slide 8)

However, talking about logistics, now the most profitable time has come for foreign investment into Latvian business. The costs of work force decreased more than 30%. The average salary is about 600 USD per month. The unemployment has reached 20% in a population capable of working. The main incentive for a worker is the availability of work itself. The worth of real estate declined several times. The rent prices for warehousing facilities are twice as low. Latvian logistic companies experience a considerable shortage of circulating funds just like all Latvian businesses.

(Unemployment in Latvia – Slide 9)

(Cost of workforce – Slide 10)

(Warehouse rental costs– Slide 11)

(Additional crisis advantages– Slide 12)

Also I have to mention that the economic crisis bring us additional advantages such as a decrease in construction costs, a smaller number of competitors, government support and various other opportunities.

(Logistics situation overview– Slide 13)

In the same time the trans-shipment volume of export cargo from Russia and CIS countries has not reduced. In the beginning of 2009 the volume of goods imported to Russia had dropped 40%, and still by the end of 2009 the growth of general cargo flow began to show. This tendency continues even now.

(Projected cargo throughput – Slide 14).

(Market share of Riga port – Slide 15).

(Market tendency – Slide 16).

Entering the markets of Ukraine, Belarus and European Union countries is a recent trend of large Russian retailers, an establishment of intermediate tax-free warehouses close to those markets gain importance. Since the primary manufacturers of goods for the Russian market are companies from China and other countries in South Asia and America, it is in their best interest to place their goods right near the market.

(Latvian logistics situation summary – Slide 17).

Latvia is the most convenient country for setting up warehouses of this type. Latvian logistic companies have a wide clientele of importers and exporters in Russia and CIS countries. Latvian companies successfully continue to service their clients, but do not have enough financial opportunities to expand their functioning. Therefore we are ready to consider the offers of our colleagues in logistics who are interested to widen their business in our promising region.

(Investment proposal – Slide 18).

Not as a functionary, but as an active representative of Latvian logistic business, the chairman of the board of logistics company ATLAS, has been working in this market for 17 years, I see the following [investment opportunities for our partners](#):

- 1) Investment into Latvian port infrastructure, and the renting of berths and warehousing facilities in ports. Local city councils plan to give every possible kind of support. We will provide operative management.

- 2) Increase of a Latvian logistic company statute capital due to joining of a foreign partner.
- 3) A profitable purchase of warehousing infrastructure by way of investment into a Latvian logistic company statute capital, releasing the funds that are being spent for the rent of warehousing infrastructure.

(Investment Benefits – Slide 19).

In all these options the positive effect will be reached due to:

- 1) the joining of client bases of the partners that will bring increase of trans-shipment volume;
- 2) the attraction or release of financial funds that will allow enlargement of the working capital and will service the increased clientele volume;
- 3) the modernization of technological and functional processes;
- 4) the ability to secure additional financing from the European funds; and
- 5) market share enlargement.

(Thank you for your attention – Slide 20).

Thank you for your attention!

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