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Latvia is the central country of the Baltic States

On the world map, Latvia is located on the east coast of the Baltic Sea at the crossroads of Northern and Eastern Europe. Latvia, a parliamentary republic, is bordered by Estonia to the north, Russia and Belarus to the east, and Lithuania to the south, with a maritime border with Sweden to the west. The total length of Latvia’s coastline is 494 km.

Latvia has 2 million inhabitants, of whom almost 1 million live in and around the capital city of Riga, the metropolis of the Baltic region. The second largest city is Daugavpils, with a population of about 100 000.

With its relatively small population, Latvia is not a major market, but the country’s key advantage is its location, which provides access to its immediate neighbours. The population of the three Baltic states totals almost 7 million, approximately equal to the population of Sweden. On its doorstep are the Scandinavian countries, with 25 million people; Russia and the independent CIS states, with a combined population of about 280 million; and Eastern Europe, with about 100 million inhabitants. Latvia’s main asset is its well-educated workforce, as the country has one of the world’s highest numbers of students per capita.

Latvia’s skilled and multilingual labor force, abundant natural resources, and strategic location form a solid foundation for the country’s economy and make Latvia the ideal place to develop your business.
Discover opportunities for your business in Latvia

On behalf of the Investment and Development Agency of Latvia (LIAA), I would like to invite you to discover Latvia and the many opportunities our country offers your business.

The attraction of foreign investment has been one of our national priorities and is recognized as a key source of economic growth. LIAA is a state agency that was set up to promote Latvia as an attractive investment destination and trade partner. Our services include providing assistance and comprehensive information on the financial, legal, fiscal, and procedural aspects of doing business in Latvia, establishing contacts with Latvian partners, and identifying property options. We tailor our services to suit clients' individual needs and provide these services throughout all stages of their investment projects.

One of the key principles of Latvian economic legislation is the equal treatment of foreign investors and domestic companies. The Latvian government has acknowledged the importance of establishing a structured dialogue with foreign investors, represented by the Foreign Investors' Council, by implementing 95% of the council’s recommendations. Various incentives are offered to investors, ranging from support via EU Structural Funds to business-friendly legislation, from depreciation to special economic zones and tax rebates.

LIAA has developed the POLARIS Process to better serve potential investors, leading them from their project’s original idea to full implementation using locally available resources.

In this process, central and local governments, universities and research institutions, and local industry players are brought together to help potential investors understand and take full advantage of Latvia’s strengths and advantages.

Latvia can offer its scientific potential to enhance business development in various fields. We have a number of scientific institutions that already cooperate in international projects and can offer their services. At the same time, Latvia continues to develop technology transfer centers, competence centers, and clusters which can be used to locate and develop technologies in line with your business requirements.

As a member of the European Union, Latvian-based business can take advantage of the broad and stable common market, as well as the free movement of goods and services, labor, and capital. At the same time, its direct-access border with Russia makes Latvia ideal for east/west trade.

The Latvian Business Guide, which has been published for more than ten years, aims to help foreign companies and organizations develop business contacts with Latvia. I invite you to discover this newly updated version of the guide and explore Latvia as a business partner with great potential.

Andris Ozols
Director
Investment and Development Agency of Latvia
**Latvia in Facts**

International memberships: EU and NATO since 2004, WTO since 1998

Capital: Riga

Other major cities: Daugavpils, Liepaja, Jelgava, Jūrmala, Ventspils, Rezekne, Valmiera, Jēkabpils

Population as of 1st January, 2014: 2.0 million

Area: 64,573 km²

Time: Eastern European Time (GMT +2 hours)

Language: Latvian (official); Russian, English, and German are also widely spoken

Political system: Republic, parliamentary democracy

Legal system: Based on civil law

Currency: euro (EUR)

Exchange rate: 1 EUR = 1.33 USD (average in 2013)

GDP in current prices (2013): EUR 23.3 billion (USD 30.99 billion)

GDP per capita (2013): EUR 11,537 (USD 15,344)

GDP growth (2013): 4.2%

Inflation rate (2013): 2.3%

Accumulated FDI (2013): EUR 11.6 billion (USD 15.4 billion)

Accumulated FDI per capita (2013): EUR 5,717 (USD 7,603)

Source: Central Statistical Bureau of Latvia, Bank of Latvia

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**CREDIT RATING FOR THE REPUBLIC OF LATVIA**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Long term foreign currency rating</th>
</tr>
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<tbody>
<tr>
<td>Moody's</td>
<td>Baa1 (Outlook: Stable)</td>
</tr>
<tr>
<td>Standard &amp; Poor's</td>
<td>A- (Outlook: Stable)</td>
</tr>
<tr>
<td>Fitch</td>
<td>A- (Outlook: Stable)</td>
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<td>R&amp;I</td>
<td>BBB (Outlook: Stable)</td>
</tr>
</tbody>
</table>

*As at June 2014*

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**Additional information:**
- www.liaa.gov.lv
- www.csb.lv
- www.bank.lv
- www.li.lv
- www.fitchratings.com
- www.moodys.eu
- www.standardandpoors.com
- www.r-i.co.jp/eng/
After Latvia’s accession to the EU, the inflow of FDI increased rapidly and reached its highest point at the end of 2nd quarter 2014 (EUR 11.7 billion). The main factors fostering FDI inflow were new market opportunities for foreign investors, stable monetary policy, Latvia’s advantageous geographic location between the EU and CIS countries, and its well-developed infrastructure. After being severely affected by the global financial crisis, Latvia implemented extensive austerity measures. As a result, Latvia’s economy, the confidence of foreign investors, and FDI inflows are on the rise again.
Historically, most of Latvia’s FDI inflow has come from neighbouring countries in the Baltic Sea region and other EU member states. The largest amounts of investment at the end of 2nd quarter 2014 were from Sweden – 22% of the total FDI stock at Latvia’s economy. In 2013, investment from within the EU comprised around 69% of total FDI inflow.

FDI in Latvia by sectors at the end of 2nd quarter 2014

Overall, however, Latvia’s FDI inflows cover a wide range of economic sectors. The largest share of FDI stock is attributable to services: FDI split by sectors shows that most investment is attracted by financial intermediation (25%). FDI in real estate operations, manufacturing and trade makes up 13%, 12% and 11% of total FDI stock, respectively.

Many international companies have established operations in Latvia, including such globally recognized names as Coca-Cola, Bucher Schoerling, Schneider Electric, Tieto, Cytec, JELD-WEN, Statoil Fuel & Retail, Generex Biotechnology, Cemex, Brabantia, and others have chosen to benefit from Latvia’s competitive advantages.

Bucher Schörling is a subsidiary of Bucher Group, a Swiss-based global manufacturer of economical, state-of-the-art machinery and equipment used for a variety of purposes. These include harvesting, producing and packaging healthy foods, keeping cities clean and roads safe, and hydraulic systems for high-performance machinery. With approximately 7 900 employees, Bucher Group generated over 1.6 billion euros in sales (2010).

In 2004, the company opened Bucher Schörling Baltic Ltd. in Latvia, where it manufactures vehicle components and manages Schörling’s Eastern sourcing network. Most recently (2011), Bucher Schörling Baltic invested 5 million euros – including co-financing from EU Structural Funds – to open a second factory in Latvia, bringing the total number of employees to over 100.

Niklaus Huser, chairman of the board of Bucher Schörling Baltic, notes: “Availability of qualified welders and mechanics is one of the most essential requirements for us, and we have made investments in training employees, especially as we expand our operations here. Our decision in choosing Ventspils as our site was based on several considerations, including good overall entrepreneurial conditions; outstanding support from the Free Port of Ventspils Authority and the local municipality; lower levels of salaries compared to the Riga region; benefits from the free economic zone; a harbor with frequent ferry traffic to and from Germany; and proximity to the Russian market.”

Cytec Industries Inc. is a global technology leader in specialty chemicals and materials. The company is headquartered in the United States. In 2011, global sales were approximately 3.1 billion U.S. dollars. Cytec employs 5 500 people worldwide and runs 35 manufacturing locations in sixteen countries. With Cytec’s vision to deliver technologies beyond its customers’ imagination, the company has a clear focus on innovation, providing advanced technology and expertise to customers.

In 2010, Cytec established a global shared services center in Riga, becoming one of the larger investors in the sector of service providers in Latvia. Today, over 150 people are employed by the center, including many young and talented graduates and undergraduates from Latvian universities. The Riga office is the administrative support center of Cytec, which sustains finance, procurement, and HR operations in North America and Europe as well as IT and data management operations.
worldwide. Cytec chose Riga as the location for the center for several reasons.

As Egbert Boerrigter, director of the shared services center (2010-2013): “We primarily based our decision on the availability of a good pool of talented, well-educated, and multi-lingual people. Also, we took into account that Riga Airport provides fairly easy access into Cytec’s locations in Europe and North America. I am very pleased with the employees we’ve been able to attract, as well as with the office facility and the established operations.”

Exigen Services is leading global IT company that provides application outsourcing services to clients in a full range of sectors, including financial services, insurance, telecom, and media. Headquartered in the U.S., the company has over 1 500 highly-skilled developers and application outsourcing experts. It has a global network of delivery teams in 12 countries, including Europe, Asia, and the U.S.

In 1995, Exigen Services chose Latvia as the location to establish one of its first subsidiaries, which has become its main IT development center in Eastern Europe. Exigen Services Latvia specializes in the development of large and complex information systems and provides enterprise management, data warehousing, and customer relationship management (CRM) solutions, among others. With more than 300 employees, the company is successfully providing IT solutions to local clients as well as increasing its export share.

“One key benefit we had as an investor in the high-technology sector in Latvia was obtaining a very professional resource pool that is experienced in both technology and customer management, while still relatively less expensive than either European or US-based software developers,” explains Greg Shenkman, Managing Partner of Exigen Capital. “Also, the fact that the Latvian business infrastructure is very modern is a significant factor, since travel, hospitality, and communications are very important in order to use Latvian technical resources effectively. Finally, Latvia is an EU country and enjoys all the benefits of a European business environment, while still being a ‘near-shore’ location suitable for resource outsourcing. This is a significant factor for some of our customers, particularly in the finance sector.”

Dutch company Brabantia is Europe’s leading supplier of innovative household products, with exports to over 80 countries and revenue of 93 million Euros in 2010.

The company initially opened a production plant in Latvia in 2008, renovating a brownfield site and building an addition to it. By 2011, it completed the move of its production of laundry dryers and ironing boards to Latvia, employing more than 80 people. The main reasons for selecting Latvia included a strong tradition in metalworking, Latvia’s membership to the EU and Euro-pegged currency, and a business friendly environment. The company is realizing a number of benefits with its facility in Latvia, including fast reaction to changes in demand by customers in the EU, lower inventory, a talented workforce, low employee turnover and a salary/productivity balance that is competitive with Asian workers.

Marcel van de Velde, Brabantia’s Production Director, has also noted: “The support and the professional assistance from LIAA was one of the main reasons why Latvia was chosen as the right place to start a production plant.”

Additional information:
www.liaa.gov.lv
www.polarisprocess.com
www.bucherschoerling.com
www.cytec.com
www.exigenservices.lv
www.brabantia.com
The Latvian government continues to work on developing a favorable climate for foreign investment by improving the business environment. Legal and administrative requirements are being eased, thus facilitating cooperation between international and local non-government partners. The incentives for both foreign and local investors are particularly aimed at encouraging investment in the modernization of manufacturing and the development of innovative technologies.

**STATE AID PROGRAMMES**
**State Aid Programmes, 2007–2013**
One of the main objectives for the government support programs developed for planning period 2007–2013 was to attract foreign investment to manufacturing and export as well as to technology sectors. The total amount of state and EU Structural Fund financing granted for government support programs up to 2013 was approximately EUR 345.52 million. As the government begins to administer the state aid programmes for planning period 2014–2020 (see State Aid Programmes 2014–2020 section below), the state support for planning period 2007–2013 continues to be available in the following ways (co-financed from EU Structural Funds):

**PROMOTION OF INNOVATION**
The goal of these activities is to promote business operations with high added value by providing support for the development of new products and technologies, as well as fostering cooperation between the research and business sectors:
- Competence centers – activities aimed at increasing the competitiveness of enterprises, promoting research and industry cooperation in industrial research, and promoting new product and technology development projects.

**LOANS AND GUARANTEES**
Intended to foster the availability of financing for business development while decreasing the negative impact of direct government support on market competition:
- Credit guarantees – investment and working capital loans.
- Short-term export credit guarantees.
- Loans to improve competitiveness.
- Venture capital funding.

**BUSINESS START-UPS**
Activities are aimed at facilitating access to international markets and the use of innovations, such as business incubators:
- Business incubators have been established to promote the founding and development of new, viable, and competitive businesses in Latvia’s regions, providing them with an environment appropriate to business and consulting services, thus creating a favorable climate for foreign investors.
- Start-up capital – in cooperation with the investment companies ZGI Capital, FlyCap, BaltCap Latvia, Expansion Capital and Imprimatur Capital, provides capital in high-added-value sectors such as IT, life sciences, nanotechnologies, medical devices, etc.

**State Aid Programmes, 2014–2020**
While Latvia winds down distributing state aid programs for the planning period 2007–2013, it begins to administer state aid programmes for planning period 2014–2020 (funded by the EU Structural Funds). The planned amount of state and EU Structural Fund financing for entrepreneurship and energy efficiency for 2014–2020 is EUR 764.15 million. The state aid programmes will focus on the following three areas:
(1) research, technology development and innovation;

Incentives for Investors
(2) raising competitiveness of SMEs (small and medium-sized enterprises) – including initiatives providing financing, development of industrial areas/parks, support to foster tourism and exporting competitiveness, and employee training programmes; (3) transition to economy with less carbon emission in all industries, energy efficiency and more efficient centralized heating supply system. The planned funding for innovation and research is EUR 193.5, for initiatives targeted at supporting SMEs – EUR 237.5, and to stimulate low carbon emission in all industries and energy efficiency – EUR 333.55 million.

PROTECTION OF INVESTMENTS
Latvia has signed bilateral agreements for the promotion and mutual protection of investments with 53 countries. The agreements grant safety and protection to investments made in real estate, intellectual property, shares, or any other form of investment, prohibiting the application of unreasonable, discriminatory, or arbitrary measures to investments by the other contracting state and direct or indirect expropriation or nationalization. Through these investment agreements, Latvia grants national or most-favored-nation treatment to foreign investment and the expansion, management, maintenance, use, enjoyment, sale, or other disposal of investments made by contracting parties. In 2011, Latvia ratified the double tax treaty with Russia.

An important role in investor’s interests representation also belongs to the Foreign Investors’ Council in Latvia (FICIL), a non-government organization that unites the largest companies from various countries and sectors which have made significant investments in Latvia, as well as ten national chambers of commerce operating in Latvia. The companies represented in FICIL account for about 31% of total FDI stock.

FICIL meets with the government at annual High Council meetings jointly chaired by the sitting Prime Minister and FICIL’s Honorary Chairman to discuss Latvia’s economic development and exchange views and ideas, in order to improve the business environment and facilitate further investment in the country.

POLARIS PROCESS
To better serve potential investors, LIAA has developed the POLARIS Process. The key to this new, unique methodology – the POLARIS Process – is collaboration between all stakeholders. The POLARIS process is the integration of high-level state institutions, municipalities, universities, industrial associations, and private companies into a harmonized system for support and assistance to existing and potential investors in all the investment project stages. LIAA’s support does not end once investors decide to proceed with their investment. The POLARIS Process starts even before investors meet with LIAA and only ends well after the project has been implemented. We provide in-depth knowledge of sectors, project management support, and project execution support, and then follow up and measure results in order to keep improving the process. For each step of the process, POLARIS defines the tasks to be undertaken by each stakeholder.

TAX INCENTIVES

SPECIAL TAXATION REGIMES
Latvia has four Special Economic Zones (SEZ) – Liepaja Special Economic Zone, Rezekne Special Economic Zone, Ventspils Free Port, and Riga Free Port. These allow companies to benefit using tax rebates:

• Up to 100% rebate on real estate tax.
• 80% rebate on corporate income tax not exceeding 35% of the amount invested (45%-55% for SMEs).
• 80% rebate on withholding tax for dividends; management fees and payments for usage of intellectual property.

IMPORTANT!!!
Only 3% Corporate Income Tax in Special Economic Zones.
IMPORTANT!!!
Taxpayers may calculate tax depreciation from a higher initial value of fixed assets (new technological equipment) using a coefficient of 1.5 (150%) and may reduce taxable income of corporate income tax for costs related to R&D, using a coefficient of 3 (300%).

TAX REBATES FOR INVESTMENT WITHIN THE SCOPE OF SUPPORTED INVESTMENT PROJECTS
For business support in Latvia, the government has adopted tax incentives allowing taxpayers to claim tax credits for initial long-term investment in supported investment projects, in the following amounts:
• 25% of total initial long-term investment up to EUR 50 million.
• 15% of the part of the total initial long-term investment exceeding EUR 50 million.

DEPRECIATION FOR TAX PURPOSES
Tax depreciation for fixed assets is calculated using the declining balance method. The amount of depreciation for a taxpayer’s fixed assets over a taxation period shall be calculated from the residual value of each category of fixed assets prior to the deduction of depreciation in the taxation period.
The acquisition costs of patents, licenses, and trademarks are depreciated over 5 years by the straight-line method, but concessions are depreciated over 10 years. For tax purposes, patents, licenses, and trademarks issued for a term of less than 5 years or concessions issued for less than 10 years may be written off within their term of validity.
Increased depreciation rates can be applied to new technological manufacturing equipment used in business activities, acquired, or developed after December 31, 2005.
Companies acquiring new technological manufacturing equipment are entitled to increase their depreciable base by the coefficients 1.5.

CORPORATE INCOME TAX REBATE FOR R&D ACTIVITIES
Companies can subtract from their Corporate Income Tax three times the amount of expenditures invested in Research and Development (R&D) activities. For the tax payer to apply the tax break, he needs to evaluate the eligibility of the planned R&D activities and produce an R&D project that explains its objectives – to produce a new product or technology that neither the company nor anyone else has ever made before.

CORPORATE INCOME TAX REBATE FOR DONATIONS
The amount of corporate income tax payable may be reduced by 85% of donations made to Latvia’s budget institutions, state capital companies, or other specific institutions/organizations.
The rebate for donations cannot exceed 20% of the calculated corporate income tax amount.

IMPORTANT!!!
Losses can be carried forward indefinitely.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.fm.gov.lv
www.vid.gov.lv
www.ficil.lv

This tax incentive is applicable for projects where total investment amount exceeds EUR 10 million.
On the basis of Latvia’s comparative advantages, LIAA focuses particularly on seven promising sectors with high-potential opportunities for foreign investment.

WOODWORKING

Summary
The woodworking sector is one of Latvia’s most important export industries and plays a key role in generating rural and regional employment. The industry’s success is based on Latvia’s favorable combination of vast forest resources, strategic location, and a cost-efficient labor force. Additionally, government policies aimed at achieving sustainable forestry development have supported the industry’s success.

Key Advantages
• Traditionally strong sector.
• Easy access to raw material.
• Abundance of skilled labor.
• High private investment in R&D.
• Supportive government initiatives, focused on facilitating innovation and encouraging higher value production.
• Sustainability of the industry.

Additional information:
• www.polarisprocess.com
• www.liaa.gov.lv
• www.latvianwood.lv
• www.lvm.lv

Selected foreign investment projects established in Wood Processing sector

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norvik hf (Iceland)</td>
<td>SIA Vika Wood</td>
<td>Manufacture of wood and wood products</td>
<td>Talsi</td>
</tr>
<tr>
<td>Aureja Limited (Cyprus)</td>
<td>SIA Boldenaja Ltd.</td>
<td>Manufacture of wood products</td>
<td>Riga</td>
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<tr>
<td>Forrest Distribution LCC (USA)</td>
<td>SIA STALJ</td>
<td>Wood-processing</td>
<td>Cesis, Priekuli</td>
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<tr>
<td>Jeld-Wen Inc. (USA)</td>
<td>SIA JELD-WEN Latvija</td>
<td>Manufacture of wood products</td>
<td>Aizkraukle</td>
</tr>
<tr>
<td>Swedwood Holding B.V. (Netherlands)</td>
<td>SIA Swedwood Latvia Ltd.</td>
<td>Manufacture of wood and wood products</td>
<td>Incukalns</td>
</tr>
</tbody>
</table>
METALWORKING AND MECHANICAL ENGINEERING

Summary
Metal processing and engineering has historically been one of the leading industrial sectors in Latvia, as the country was one of the high-tech manufacturing centers for the Soviet military and aerospace industries. Key advantages of the sector include its skilled and cost-efficient workforce, strong R&D capability, and access to metal supplies from Russia and markets in the west.

Key Advantages
- Traditionally a leading sector.
- Easy access to raw materials due to an advantageous geographic location.
- Excellent logistics infrastructure.
- Competitive labor force.
- Highly competitive in higher value products.
- One of the lowest electricity prices across the EU.
- Shift toward more sophisticated production.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.masoc.lv
www.letera.lv

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>EuroMaint Rail (Sweden)</td>
<td>SIA EuroMaint Rail</td>
<td>Railway rolling-stock repairs and maintenance</td>
<td>Jelgava</td>
</tr>
<tr>
<td>Bucher-Guyer AG (Switzerland)</td>
<td>SIA Bucher Schoerling Baltic</td>
<td>Manufacture of street cleaning machines</td>
<td>Ventspils</td>
</tr>
<tr>
<td>Oy LEXEL Finland AB (Finland)</td>
<td>SIA Schneider Electric Latvija</td>
<td>Manufacture of electronic components</td>
<td>Riga</td>
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<tr>
<td>Leax Group (Sweden)</td>
<td>SIA LEAX Baltics/ RSEZ SIA LEAX Rezekne</td>
<td>Manufacture of truck components</td>
<td>Riga/ Rezekne</td>
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<tr>
<td>AKG (Germany)</td>
<td>SIA A KG THERMOTECHNIK LETTLAND</td>
<td>Manufacture of spare parts and accessories for motor vehicles</td>
<td>Jelgava</td>
</tr>
<tr>
<td>EuroMaint Rail (Sweden)</td>
<td>SIA EuroMaint Rail</td>
<td>Railway rolling-stock repairs and maintenance</td>
<td>Jelgava</td>
</tr>
</tbody>
</table>

TRANSPORT AND STORAGE

Summary
Latvia is located at the heart of Europe’s fastest-growing area – the Baltic Sea region. The transport and storage sector’s success is based on Latvia’s favorable combination of an advantageous geographic location, providing access to the Russian and Western European markets, a competitive labor force, and excellent infrastructure with three ice-free ports, the best railway connection to Russia, and a growing air transport sector.

Key Advantages
- Historic transport and trade gateway.
- Access to Russian and European markets.
- Excellent infrastructure.
- Freight volumes projected to increase.
- Diversified alternatives; no bias towards road transport.
- Three ice-free ports.
- Development of air transport sector.
- Riga International Airport is a regional hub.
- Competitive and multilingual labor force.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.transport.lv
www.sam.gov.lv

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<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Indtec Finance B.V. (Netherlands)</td>
<td>SIA Indtec Baltic Coal</td>
<td>Coal terminal</td>
<td>Ventspils</td>
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<tr>
<td>Sang Bo Co., Ltd. (Korea)</td>
<td>Sang Bo Co., Ltd. filiāle SBR-EU</td>
<td>Screen/glass film logistics and distribution in EU</td>
<td>Riga region</td>
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<tr>
<td>Transnylopprodukt AO (Russia)</td>
<td>SIA LatRosTrans</td>
<td>Pipe-line transportation</td>
<td>Daugavpils</td>
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<tr>
<td>Joska Eignarhaldsfelag ehf av Plc (Iceland)</td>
<td>SIA Do It</td>
<td>Warehousing and support activities for transport</td>
<td>Riga</td>
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<tr>
<td>Oxford Aviation Academy Sweden AB (Sweden)</td>
<td>SIA Oxford Aviation Academy Latvia</td>
<td>Training for airplane pilots and crew</td>
<td>Riga</td>
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<td>Indtec Finance B.V. (Netherlands)</td>
<td>SIA Indtec Baltic Coal</td>
<td>Coal terminal</td>
<td>Ventspils</td>
</tr>
</tbody>
</table>
INFORMATION TECHNOLOGY
(including Global Business Services)

Summary
Latvia’s IT sector provides substantial competitive advantages to investors, mainly through the availability of highly skilled IT professionals, language skills, and a combination of Western-style working culture with proximity to and knowledge of the Russian market. A highly developed communications and logistics infrastructure and government support further contribute to the sector’s appeal.

Global Business Services is also rapidly developing in Latvia. It is becoming very popular for companies from Scandinavian countries to choose Latvia as a place to locate their business service centres due to language knowledge, geographical closeness, accessibility and cost effectiveness.

Key Advantages
- Skilled, multilingual labor force and high investments in tangible assets contribute to productivity.
- Well-developed export market.
- Knowledge of foreign languages among IT professionals.
- Western-style working culture.
- Highly developed logistics and communications infrastructure.
- Low electricity prices for industry.
- Supportive government policies.

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<tr>
<th>Investor</th>
<th>Local Company</th>
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<tbody>
<tr>
<td>Tilts Communications A/S (Denmark)</td>
<td>SIA Lattelecom</td>
<td>Fixed-telecommunications, IT &amp; ISP services</td>
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<td>Exigent Services Ltd. (USA)</td>
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<td>Software development, consultancy and related activities</td>
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<tr>
<td>Itella Corporation (Finland)</td>
<td>AS Itella Information</td>
<td>Software development for logistics</td>
<td>Riga</td>
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<td>Tieto Corporation (Finland)</td>
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<td>Encontrol AG (Switzerland)</td>
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<tbody>
<tr>
<td>Cytec Industries Inc. (USA)</td>
<td>SIA Cytec Latvia</td>
<td>Shared Services Center</td>
<td>Riga</td>
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<tr>
<td>Statoil Fuel &amp; Retail (Norway)</td>
<td>SIA Statoil Fuel &amp; Retail business centre</td>
<td>Shared Services Center</td>
<td>Riga</td>
</tr>
<tr>
<td>Tieto Corporation (Finland)</td>
<td>SIA Tieto Latvia</td>
<td>Shared Services Center</td>
<td>Riga</td>
</tr>
<tr>
<td>Skandinaviska Enskilda Banken AB (Sweden)</td>
<td>AS SEB banka</td>
<td>Shared Services Center</td>
<td>Riga</td>
</tr>
<tr>
<td>Tele2 Sverige Aktiebolag (Sweden)</td>
<td>SIA Tele2 Shared Service Center</td>
<td>Shared Services Center</td>
<td>Riga</td>
</tr>
</tbody>
</table>

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.likta.lv
www.itnet.lv
www.telecom.lv
www.lia.lv
www.ranking.lv
ENVIRONMENTAL TECHNOLOGY

Summary
Experienced in renewable energy generation, Latvia provides an excellent environment for green energy projects. As the main exporter of environmental technology and resources in the EU, Latvia has the potential to expand this sector, equipped with skilled labor, long-standing experience, and the necessary resources. Latvia’s efforts to improve energy efficiency and the increasing enrolment in degree courses relevant to the sector further add to the industry’s potential.

Key Advantages
• Traditionally a leading sector.
• Easy access to raw materials due to an advantageous geographic location.
• Excellent logistics infrastructure.
• Competitive labor force.
• Highly competitive in higher value products.
• One of the lowest electricity prices across the EU.
• Shift toward more sophisticated production.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.varam.gov.lv
www.em.gov.lv
www.latbionrg.lv
www.windenergy.lv

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;T Improvement Oy (Finland)</td>
<td>SIA L&amp;T</td>
<td>Waste collection, treatment and disposal activities</td>
<td>Riga</td>
</tr>
<tr>
<td>Carex Services Limited (UK)</td>
<td>SIA European Plastic Industries</td>
<td>Recovery of sorted materials</td>
<td>Olaine</td>
</tr>
<tr>
<td>Kuusakoski OY (Finland)</td>
<td>SIA Kuusakoski</td>
<td>Recovery of sorted materials</td>
<td>Riga</td>
</tr>
<tr>
<td>Ragn-Sells Aktiebolag (Sweden)</td>
<td>SIA Ragn-Sells</td>
<td>Waste collection</td>
<td>Riga</td>
</tr>
<tr>
<td>Libra Group (UK/Greece)</td>
<td>SIA EcoGen</td>
<td>Production of biogas</td>
<td>Riga</td>
</tr>
</tbody>
</table>

HEALTH CARE

Summary
Latvia’s health care sector has recently undergone restructuring and budget cuts aimed at increasing efficiency and facilitating the introduction of additional private health care options. The potential of the sector lies in the combination of highly qualified personnel, low costs, and first-rate facilities. Medical tourism is an emerging sector, building on Latvia’s reputation as a spa destination, its convenient location, and the availability of high-standard health services at a low cost.

Key Advantages
• Recent efforts to improve efficiency.
• Highly qualified workforce at competitive prices.
• High standard of health services.
• Promising a new business opportunity: medical tourism.
• Government support for an efficient and innovative health care sector.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.vm.gov.lv
www.rsu.lv

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVA Clinic Int OY (Finland)</td>
<td>SIA AVA Clinic</td>
<td>Infertility treatment</td>
<td>Riga</td>
</tr>
<tr>
<td>Presidential administration of Republic of Belarus (Belarus)</td>
<td>Sanatorium Bekrusija</td>
<td>Rehabilitation</td>
<td>Jūrmala</td>
</tr>
<tr>
<td>Presidential administration of Russian Federation (Russia)</td>
<td>Sanatorium Jantarnij Bereg</td>
<td>Rehabilitation</td>
<td>Jūrmala</td>
</tr>
<tr>
<td>Carbico Trading S.A. (UK)</td>
<td>SIA Reproduktivās medicīnas Centrs EMBRONGS</td>
<td>Infertility treatment</td>
<td>Riga</td>
</tr>
<tr>
<td>Sirowa International Holding B.V. (Netherlands)</td>
<td>SIA STP Vivenda</td>
<td>Dental care</td>
<td>Riga</td>
</tr>
</tbody>
</table>

Selected foreign investment projects established in the environmental technology sector

Selected foreign investment projects established in the health care sector
**LIFE SCIENCES**

**Summary**
Latvia's life science sector combines strong R&D capability, established manufacturing infrastructure, and geographic and cultural proximity to eastern and western markets. A very competitive workforce as well as further investment in raising productivity levels and fostering R&D related activity, contribute to the potential and success of the industry.

**Key Advantages**
- Strong R&D capability.
- Established manufacturing infrastructure.
- Geographic proximity to eastern markets.
- Long-standing traditions in chemistry.
- Skilled and competitive workforce.

**Additional information:**
www.polarisprocess.com  
www.liaa.gov.lv  
www.vm.gov.lv  
www.lakifa.lv  
www.latbiotech.lv  
www.ibti.lv  
www.sigra.lv

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmstandart OAO (Russia), Skandinaviska Enskilda Banken AB (Sweden), AS Swedbank (Sweden)</td>
<td>AS Grindex</td>
<td>Pharmaceutical company</td>
<td>Riga</td>
</tr>
<tr>
<td>Syntagon Invest AB (Sweden)</td>
<td>SIA Syntagon Baltic</td>
<td>Organic chemical synthesis</td>
<td>Riga</td>
</tr>
<tr>
<td>Generex Biotechnology Corporation (Canada)</td>
<td>SIA Generex Biotechnology Baltic</td>
<td>Research and experimental development on biotechnology</td>
<td>Riga</td>
</tr>
<tr>
<td>Grant Instruments (Cambridge) Limited (UK)</td>
<td>SIA Biosan</td>
<td>Manufacture of products for sample preparation in genomics, proteomics, cellomics</td>
<td>Riga</td>
</tr>
</tbody>
</table>

**FOOD PROCESSING**

**Summary**
The food and beverage production sector provides investors with a full range of opportunities for success, including a robust supply chain, an experienced workforce, and high quality standards. Domestic producers can also effectively track the quality of their products, from ingredients, through production and transit, to market – enabling production of the fresh and natural foods that consumers seek.

**Key Advantages**
- Robust supply chain.
- Access to quality ingredients.
- Ecological agriculture for natural ingredients.
- Abundance of skilled and competitive labor.
- Industry standards and sustainability.
- Developed transit infrastructure.

**Additional information:**
www.polarisprocess.com  
www.liaa.gov.lv  
www.lpuf.lv  
www.pvd.gov.lv  
www.ibti.lv  
www.priekuliselekcija.lv  
www.stendeselekcija.lv  
www.lvai.lv

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC Beverages Holdings II B.V. (Netherlands)</td>
<td>SIA Coca-Cola HBC Latvia</td>
<td>Production of beverages</td>
<td>Ropazi County</td>
</tr>
<tr>
<td>FAZER BAKERIES Ltd. (Finland)</td>
<td>SIA Fazer Latvia</td>
<td>Food processing</td>
<td>Ogre</td>
</tr>
<tr>
<td>Olvi Oyj (Finland)</td>
<td>AS Cesu Alus</td>
<td>Production of beverages</td>
<td>Cesis</td>
</tr>
<tr>
<td>Godo Stale (Norway)</td>
<td>SIA LanoDe</td>
<td>Seafood processing</td>
<td>Saldus</td>
</tr>
<tr>
<td>Private persons (Germany)</td>
<td>SIA Wild Mushroom Queen</td>
<td>Cultivation of mushrooms</td>
<td>Taši</td>
</tr>
</tbody>
</table>

**Selected foreign investment projects established in the health care sector**

<table>
<thead>
<tr>
<th>Investor</th>
<th>Local Company</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC Beverages Holdings II B.V. (Netherlands)</td>
<td>SIA Coca-Cola HBC Latvia</td>
<td>Production of beverages</td>
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</tr>
<tr>
<td>FAZER BAKERIES Ltd. (Finland)</td>
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<td>Private persons (Germany)</td>
<td>SIA Wild Mushroom Queen</td>
<td>Cultivation of mushrooms</td>
<td>Taši</td>
</tr>
</tbody>
</table>
Employment relationships in Latvia are regulated by the Labor Law, which transposes many aspects of EU employment law and social policy directives, such as those relating to equal treatment, collective redundancy, working hours, and rest breaks. Monitoring of Labor Law compliance is executed by the State Labor Inspectorate and representatives of employers and trade unions.

Latvia has high university enrolment numbers – 45 students per 1000 inhabitants. Together with professional education, this ensures a well-educated labor force that is also highly motivated and multilingual, as 70% of the population under 40 speaks English and 80% of Latvian residents speak Russian.

Work productivity is kept high by Latvia’s relatively low number of public holidays:
- January 1 – New Year Holiday.
- 2 days (set yearly) – Good Friday and Easter Monday.
- May 1 – Labor Day.
- May 4 – Day of Proclamation of Independence.
- June 23 and 24 – Midsummer Days.
- November 18 – National Independence Day.
- December 25 and 26 – Christmas.
- December 31 – New Year’s Eve.

At the beginning of 2014, Latvia’s population was 2 million, including approximately 55% or 1.1 million economically active (age 15-74) people. As of September 2014, the registered unemployment nationally was 8.2%, a decrease from 9.3% at the end of 2013. This decrease is the result of a growth in economic activity. The highest unemployment levels are among unskilled workers, though there are shortages of qualified and experienced specialists in certain areas and positions.

Generally, the majority of Latvia’s young people commence their careers while still studying, thus numerous young, leading specialists are already active in the labor market. These people are self-confident, possess good communication skills, and are technologically adept. Participation in student exchange programs (e.g., Erasmus), youth organizations (e.g., AIESEC), and international communication helps foster foreign language skills.

According to the results of “Eurobarometer” research (2012), Latvia ranks the second among other European states for the percentage of residents, who in addition to their mother tongue can speak at least one more foreign language: 95% of Latvia’s residents are fluent in some foreign language and 54 % can speak at least two foreign languages (6th highest score). Thirteen percent can speak at least 3 foreign languages. Low 5 % of the respondents say they cannot speak any foreign language.

Russian is the most popular foreign language in Latvia, 67 % of respondents fluently speak Russian, 46 % of respondents speak English followed by German with about 7%. Other popular languages in Latvia are French, Italian, and Polish. Because of the interesting Scandinavian labor market, some Scandinavian languages (Swedish and Norwegian) are becoming increasingly more popular among Latvians. Moreover 44% of respondents recognize they speak foreign language daily – at work or in private life.

Employee selection at small and micro-companies is performed by the head of the company, by an employee, or with the help of a recruitment company. Foreign companies and investors most often use the services of a recruitment company, or publish a job advertisement in leading job portals and perform in-house selection. When creating a job advertisement, the requirements prescribed by the Labor Law must be consulted: it is illegal to discriminate based on age, sex, ethnic origin, etc., and the name and contact details of the employer or recruitment company must be clearly stated.
The operations of recruitment companies in Latvia are licensed by the State Employment Agency (Valsts Nodarbinātības aģentūra (NVA)). A list of licensed companies is published on the NVA's website, www.nva.lv. High-quality and value-for-money recruitment services are offered by around ten professional recruitment companies in Latvia, most of them part of international networks. In addition, a number of companies offer staffing and payroll-outsourcing services.

Candidate selection takes 2-6 weeks, depending on the nature and seniority of the position.

**SALARIES IN LATVIA**

According to the Central Statistical Bureau of Latvia, the average monthly salary in Latvia in 2013 was EUR 716 gross, which is around EUR 505 net. Salaries in the Riga region are about 20% above the Latvian average, but in other areas they are 18-25% below average, with the lowest being in Latgale (the eastern region of Latvia). However, the salary gap between Riga and the other regions has tended to decrease in recent years.

Monthly salaries may not be less than the minimum stipulated by the state - EUR 320 gross. The minimum hourly rate for normal working hours per week (40 hours) is EUR 2.

**Salary structure and taxes**

<table>
<thead>
<tr>
<th>Minimum stipulated salary by the State, is EUR 320 gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer's part of social security contribution</td>
</tr>
<tr>
<td>Social security contribution</td>
</tr>
<tr>
<td>Personal income tax</td>
</tr>
<tr>
<td>after taxes</td>
</tr>
<tr>
<td>non-taxable amount</td>
</tr>
</tbody>
</table>

*Calculation of an employee's net salary is based on the general algorithm, the actual formula is more complicated, also taking into account a number of tax discounts, e.g. for dependants.

Observing the current situation in the labour market, the wages range from the official minimal monthly salary EUR 320 gross paid to retail sector’s unskilled employees up to EUR 10 000 gross to top managers in the largest companies.

According to the Latvian Central Statistical Bureau, the average gross monthly salary has increased by 4.6 % or EUR 31 within 2013 in Latvia.

However it must be noted that the growth of salary would refer and affect mainly the administrative staff and highly qualified specialists, especially the growth is expected in such in-demand professional groups like: IT, sales and highly qualified technical specialists and employees in manufacturing, machine-building industry, shipbuilding and related spheres.

Compared to other EU countries, the general level of compensation in Latvia is the lowest. For example, the level of compensation for unskilled jobs is three to four times lower than in such Western European countries as Germany and France, while in terms of wage adjusted labor productivity Latvia is ahead of most EU member states.

**Additional information:**

www.vida.gov.lv
www.lm.gov.lv
www.nva.gov.lv
www.csb.gov.lv
TRANSPORT & LOGISTICS
Latvia’s transport system provides an appropriate infrastructure base to facilitate the growing trade flows between the EU and Russia/CIS, and to serve the needs of local export/import operators:

- Free ports in Ventspils, Riga, and Liepaja, with a total cargo throughput of 69.1 million tons during 2013, predominantly transit shipments.
- An extensive and functional road network, connecting with both European and CIS road networks, as well as Latvia’s ports.
- The shortest route between the EU and the CIS.
- Specialized, high-capacity railway corridor linking Latvian ports with Russia and the Far East.
- Riga International Airport – a competitive Baltic passenger hub, serving almost half (47%) of all airport passengers in the Baltic states; a high-speed cargo distribution center.
- Pipeline systems for transit and distribution of Russian oil/natural gas.
Cargo traffic by mode of transports in thousand tons

<table>
<thead>
<tr>
<th>Year</th>
<th>Rail transport</th>
<th>Water transport</th>
<th>Road transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>37820</td>
<td>61980</td>
<td>53679</td>
</tr>
<tr>
<td>2010</td>
<td>46809</td>
<td>61160</td>
<td>49164</td>
</tr>
<tr>
<td>2011</td>
<td>53936</td>
<td>68821</td>
<td>59385</td>
</tr>
<tr>
<td>2012</td>
<td>60601</td>
<td>75193</td>
<td>60601</td>
</tr>
</tbody>
</table>

Source: Central Statistical Bureau of Latvia

PORTS
As vitally important export and transit-transhipment points for Latvia itself and for several neighboring countries, the three largest Latvian ice-free ports provide reliable access 365 days a year. Connections to all other transport infrastructure elements, along with attractive tax-free zone incentives, have resulted in the ports becoming regional centers of industrial activity. Nevertheless, there are still a number of port locations available for businesses, within customs-free zones and with direct sea access.

All the ports are equipped with the required infrastructure – tanks for bulk liquids, terminals, warehouses and cranes, communications infrastructure – and have operating service-providers – stevedores, agents, customs brokers, and banks – with a number of internationally recognized names like Kuehne & Nagel and Maersk Sealine, comprising a visible part of the service offer.

Additional information:
www.liaa.gov.lv
www.portofventspils.lv
www.rop.lv
www.portofliepaja.lv
www.transport.lv
www.sam.gov.lv

ROADS
The total length of Latvia’s road network is 72,441 km. The average density of roads in Latvia is 1.122 km per km².

The Latvian road system provides direct access to destinations in the east (Russia/CIS) and southwest (central/western Europe). The roads are well connected to northern Europe (Finland and Sweden) via other countries and/or RO-PAX-capable ports. Generally, all roads are fully public and toll-free, as funds for maintenance are collected from excise tax on fuel and vehicle registration fees paid to the Road Traffic Safety Directorate. With financial support from the EU, Latvia has upgraded sections of the Via Baltica – the first pan-European transport corridor, connecting Finland and the Baltic states to Poland and Western Europe. To divert increasing transport flows from the centre of the capital city, Riga City Council has constructed the Southern Bridge over the river Daugava and plans to construct a Riga Northern Transport Corridor – a high-speed road crossing Riga from east to west and bypassing the city’s historic centre.

Forwarding services is a comparatively developed market with a large number of actively competing operators, including international companies like DB Schenker, DHL, and DSV Transport. Transport-freight intensity is increasing rapidly along with the growth in foreign trade and transit operations – international freight volumes passing through Latvia have increased by 58% since 2004.

Additional information:
www.liaa.gov.lv
www.lvceli.lv
www.sam.gov.lv
www.lla.lv
www.csb.gov.lv
RAILWAYS
Latvia possesses a relatively dense railroad network connecting the country to destinations as far as the Russian Far East, wherever the former Soviet railway-gauge standard is in operation. There are additional opportunities for trade connection with Japan and Southeast Asia. Currently, Latvian railways mostly serve as a transit trunk-line, with as much as 82% of total freight volume comprising transit from Russia and Belarus to Latvian ports and approximately 35% of freight rolling-stock consisting of tanker-wagons. Movement in the opposite direction, to Moscow and other parts of Russia/CIS, is dominated by container cargo.

In order to facilitate trade flows in the north-south direction, it is planned to implement a pan-Baltic railway route, Rail Baltica, connecting Tallinn–Riga–Kaunas–Warsaw–Berlin. This project would also serve as the first step in Latvia’s transition to European railway-gauge technical standards.

Additional information:
www.liaa.gov.lv
www.ldz.lv
www.sam.gov.lv
www.lla.lv
www.transport.lv
www.csbgov.lv

AVERAGE CARGO DELIVERY TIME
Most of air passenger and freight transport in Latvia moves through Riga International Airport, which is also the leading air transport and transit system in the three Baltic states. The airport currently serves 16 airlines, including Latvia’s national airline airBaltic, low-fare carrier Ryanair, and European leaders like Lufthansa, Czech Airlines, and Finnair. The companies mentioned and others ensure fast and reliable direct travel from Riga International Airport to more than 80 destinations in Asia and Europe, including Helsinki, Stockholm, Copenhagen, Berlin, Frankfurt, Paris, Rome, and London, all of which provide further connections to transcontinental air routes.

In 2013, Riga served 4.8 million passengers and handled 53 539 tons cargo – breaking the record of cargo movement at Riga International Airport (with a 63 % cargo market share in the Baltic Region). Riga International Airport is constructing new terminal to continue its current growth and increase passenger-handling capacity, although it already serves almost half (48%) of all Baltic airport passengers. Comparably, in 2013 Tallinn (Estonia) served 19% of total passengers, Vilnius (Lithuania) served 26%, and Kaunas (Lithuania) served 7%.

In 2014, the airport was awarded Top European Airport Cost Competitiveness Excellence award by The Air Transport Research Society as the most competitive airport in Europe in terms of costs and tariff structure per one passenger.

The countries with direct flights from Riga include Austria, Azerbaijan, Belgium, Belarus, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Israel, Italy, Lithuania, Netherlands, Norway, Poland, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Ukraine, United Arab Emirates, Uzbekistan and others.
The air cargo and/or express package services of international providers like Lufthansa, Schenker BTL, DHL, and TNT ensure one-day delivery within Europe and two days for the rest of the world.

**Additional information:**
- www.liaa.gov.lv
- www.riga-airport.com
- www.sam.gov.lv
- www.lgs.lv
- www.lla.lv
- www.caa.lv

**UTILITIES**

A number of Latvia’s utility services are still state-owned or corporate monopoly operations. In order to ensure reasonable pricing in these areas, the Public Utilities Commission of Latvia – whose responsibilities include utilities, telecommunications, and post and railway services – regulates the tariff policies of monopoly utility providers. Also, certain utility sectors are being liberalized by opening markets to other service providers.

**GAS**

Latvia is endowed with a unique natural resource – the Incukalns Gas Reservoir, which is the largest natural gas-storage reservoir in Europe, with a capacity of approximately 4.4 billion m³. As a result, the country is in a very favorable position in terms of gas supply costs, also providing gas storage for the two other Baltic states and the western border areas of the Russian Federation. The reservoir enables the operator Latvijas Gāze, owned by E-On Ruhrgas International GmbH, Gazprom, and ITERA Latvija, to overcome the problems arising from seasonal demand fluctuations and to more effectively utilize existing gas pipeline networks.

In addition to supplying the domestic market, natural gas in Latvia is used in heat generation, power generation, the manufacture of construction materials, agriculture, the food industry, and many other areas. Latvijas Gāze supplies natural gas to industrial clients through its centralized gas supply network, also carrying out and financing engineering and installation works, or parts thereof, for the establishment of new connections.

**Additional information:**
- www.liaa.gov.lv
- www.lng.lv

**NATURAL GAS INFRASTRUCTURE IN LATVIA**

![Natural Gas Infrastructure Map of Latvia](image_url)
ELECTRICAL POWER
State-owned Latvenergo provides about 95% of all the electricity consumed in Latvia and ensures its import, transmission, distribution, and supply to consumers. The company operates the whole electrical energy cycle from power generation (combustion and hydro-electric plants) through to distribution to sub-stations and user networks. Approximately 70% of electricity produced by Latvenergo is made from renewable and environmentally friendly energy sources. More than 100 independent producers, operating small-capacity hydro-electric plants, wind generators, or heat and electricity co-generation plants, produce a very small proportion (approximately 1.5%) of electricity in Latvia. All the same, “new energy” generation is growing substantially and is expected to be of increasing importance in the future.

Connection of a new facility to the electricity network can be carried out by Latvenergo or by any other licensed electrical-engineering supplier. Until 2010, Latvia was the only Baltic state which had fully opened its electricity market, allowing domestic and foreign companies to participate. Currently, customers can choose to buy electricity from Latvenergo or from the alternative market participant Enefit.

Additional information:
www.liaa.gov.lv
www.latvenergo.lv
www.enefit.lv
www.em.gov.lv

DISTRICT HEATING & WATER SUPPLY
District heating and water supply services are generally provided by separate operators in each municipality. However, where necessary or more convenient, any company is free to construct its own system as long as it meets existing technical/environmental regulations. The municipalities mostly own local operators, but some have been privatized and have attracted foreign investors. The most notable suppliers are located in Latvia’s largest cities.

WASTE DISPOSAL
Several local and regional waste management companies throughout the country provide general waste disposal services. The waste produced in Latvia is recycled both locally and in foreign countries. Several facilities exist for the recycling of metal, glass, paper, and polyethylene. The most modern polyethylene recycling facility in the Baltic states is located in Latvia. Several types of hazardous waste (car tires, oil, and oil filters) are recycled in Latvia. Electronic and electrical equipment are collected and transported abroad for recycling. Latvia also has installations for hazardous waste incineration, mercury recovery from luminescent lamps, water-oil separation facilities, incinerators of oil- and medical-waste, and installations for disinfecting medical waste.

Additional information:
www.liaa.gov.lv
www.em.gov.lv
www.varam.gov.lv
www.virums.lv
www.zalais.lv

TELECOMMUNICATIONS
Once lagging behind in telecoms infrastructure, Latvia secured major “hard” investment after regaining independence in 1991, when it concluded a privatization deal with Tilts Communications (now owned by TeliaSonera AB), which became a minority shareholder (49%) in the national telecommunications operator Lattelecom. The country is now extensively equipped with digital communications networks. Since January 1, 2003, the fixed telecommunications sector has been open to competition, thus shortening Lattelecom’s period of monopoly rights. New participants have entered this sector of the telecommunications market and are offering their services. Licenses to operate in this sector have been issued to many companies; the biggest of them are CSC Telecom, Baltkom, Telecom Baltija, Latvijas dzelzcels, and Izi.

Indicative telephone call tariff, 2014 (lowest available, peak EUR/min, including VAT)

Source: Lattelecom, Bite, LMT, Tele2

Internet services ranging from simple dial-up or radio links to optical broadband lease-line connections are available from several hundred ISPs. International connections are provided by high-capacity, broadband optical-network links to Estonia, Lithuania, Russia, and Sweden, WiFi, GPRS, and, more recently, 3G services have been launched in Latvia. Currently, public wireless internet hotspots are available in almost all public areas in Latvia.
REAL ESTATE
As a country with a relatively low density of population, Latvia can provide a range of location choices for both industrial and office operations. There are a number of vacant factory buildings in all the largest cities, along with historic city centers that are gradually developing new functions, evolving from residential into commercial, entertainment, and shopping areas. In addition to the availability of individual properties, a number of business-hosting parks have been established or are being developed for different types of tenants.

Average commercial costs, 2014
(EUR/m² per month)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Average commercial rents, EUR/m²</th>
<th>Riga city</th>
<th>Riga suburbs</th>
<th>Other cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td></td>
<td>4-18</td>
<td>4-18</td>
<td>3-12</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td>4-70</td>
<td>4-70</td>
<td>3-30</td>
</tr>
<tr>
<td>Modern warehouse/industrial</td>
<td></td>
<td>1.5-5</td>
<td>1.5-5</td>
<td>1-11</td>
</tr>
</tbody>
</table>

Average land prices, EUR/m²

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Average land prices, EUR/m²</th>
<th>Riga city</th>
<th>Riga suburbs</th>
<th>Other cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial-use suburban land</td>
<td></td>
<td>30-1000</td>
<td>5-100</td>
<td>5-75</td>
</tr>
<tr>
<td>Greenfield land plots</td>
<td></td>
<td>5-30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Colliers International, Ober-Haus Real Estate Advisors, Latio Overview of Commercial Estate Market, 2nd Quarter, 2014

For greenfield projects, there are no barriers to using the services of local real estate agents and construction companies. The construction services market in Latvia is very competitive with a number of local and international players, like Constructus, NCC Konstrukcija, and PEAB. The real estate business is also well developed and competitive, featuring companies such as Latio, Ober-Haus, Arco Real Estate, and Colliers International. Construction permit in Latvia can be obtained in approximately three months, but for large and technically difficult projects more time might be required for dealing with necessary procedures.

IMPORTANT!!!

Latvia has three mobile operators – LMT, Tele2, and Bite – with almost 100% of the population as subscribers and an additional number utilizing pre-paid cards. The GSM network coverage of these mobile operators is as much as 99% of Latvia. Mobile operators offer a wide range of data-transmission services – high-speed 3G and GPRS data transmission and MMS. 3G is one of the fastest growing services both for Latvian mobile operators and on-line media, with more than 0.5 million users in 2011. LMT, Tele2, and Bite all offer services in UMTS-system networks.

For greenfield projects, there are no barriers to using the services of local real estate agents and construction companies. The construction services market in Latvia is very competitive with a number of local and international players, like Constructus, NCC Konstrukcija, and PEAB. The real estate business is also well developed and competitive, featuring companies such as Latio, Ober-Haus, Arco Real Estate, and Colliers International. Construction permit in Latvia can be obtained in approximately three months, but for large and technically difficult projects more time might be required for dealing with necessary procedures.

IMPORTANT!!!
A construction permit in Latvia can be obtained in approximately three months!
FORMS OF BUSINESS
The main forms of business stipulated in Latvia’s Commercial Law are:
• individual merchants,
• limited liability companies,
• joint-stock companies,
• partnerships,
• branch or representative office.

Representative offices, similar to branches, are not independent legal entities. Representative offices cannot perform economic activities and their functions are limited to market research, promotion of the parent company, and other limited marketing activities.

SETTING UP A COMPANY, REORGANISATION, AND LIQUIDATION
All companies must be registered in the Commercial Register. For companies to achieve legal status, their founders shall prepare and submit to the Register of Enterprises a foundation agreement or decision of foundation (in case of a single founder), articles of association, and confirmation of legal address, together with receipts that confirm payment of registration duty and payment for the publication of an announcement in the official newspaper, Latvijas Vēstnesis. Registration duty depends on the chosen form of business. The Register of Enterprises undertakes to review applications and register companies within three days or within one working day (if a three times larger fee is paid).

IMPORTANT!!!
A company can be registered in just one working day!

The liquidation of a company may occur voluntarily by decision of its shareholders or in other statutory cases. According to the law, the minimum length of the procedure is about six months. Both the company and any creditor may file a bankruptcy petition.

ENTRY, WORK, AND RESIDENCE PERMITS
According to the Immigration Law, foreign nationals are entitled to enter and reside in Latvia if they have valid travel documents. If foreign nationals wish to reside in Latvia for more than 90 days within a 6-month period, they must obtain a visa or residence permit. Since Latvia’s accession in the EU, citizens of other EU member states do not require visas or residence permits, but must obtain a registration card from the Office of Citizenship and Migration Affairs if their stay in Latvia exceeds 90 days.

VISAS
Latvia has been a member of the Schengen Agreement since December 21, 2007, therefore member state citizens traveling to Latvia do not require a visa, and foreigners who have valid a Schengen visa can travel to Latvia with an existing one. Other foreign nationals who are citizens of countries that are entitled to request visas for entering Latvia must submit an application.

An invitation is mandatory if a natural or legal person in Latvia is considered to be an employer in accordance with the Law on State Social Insurance, and they intend to employ a foreign national by entering into an employment contract or a work-performance contract. However, foreign nationals who wish to establish employment relationships or become self-employed must have a work permit.
WORK PERMITS

Work permits are issued by the Office of Citizenship and Migration Affairs on the basis of visa or residence permits. If employers intend to employ a foreign national, they must register a job vacancy with the State Employment Agency (SEA) at least one month before applying to the SEA for approval of invitations for visas or sponsorship for residence permits. Foreign nationals must receive separate work permits if they will work for more than one employer or in several positions. If the employment of foreign nationals relates to short-term stays in Latvia that do not exceed 90 days in a six-month period, work permits can be issued in accordance with the validity of visas.

RESIDENCE PERMIT

Residence permits allow foreign nationals to stay in Latvia temporarily or permanently for periods exceeding 90 days in a six-month period. Residence permits may be requested by self-employed persons, members of the boards of directors or supervisory councils of companies registered in the Commercial Register, persons authorized to represent foreign companies in branch activities, and in other situations prescribed in the Immigration Law.

Additionally, temporary residence permits may be requested by foreign nationals who have done one of the following:
- Invested in equity (increased equity capital for existing company or established new company) of company in Latvia:
  - at least 35 000 EUR in company with turnover or annual balance sheet not exceeding 10 million EUR, with a personnel of no more than 50 employees and annual tax payments of at least 40 000 EUR
  - invested at least 150 000 EUR in company with turnover or annual balance sheet exceeding 10 million EUR, with a personnel of more than 50 employees
- Acquired real estate
- Residency permits may be acquired by purchasing real estate with a minimum value of 250 000 EUR anywhere in Latvia.
- Made subordinated capital investments at least of EUR 280 000 in a Latvian credit institution

REAL ESTATE ACQUISITION PROCEDURES AND RESTRICTIONS

Latvian legislation provides no restrictions on the acquisition or transfer of ownership rights to real estate in cities for citizens of Latvia, citizens of EU member states, and companies in which more than 50 % of equity is owned by citizens of Latvia, citizens or EU member states, or natural or legal persons from countries with which Latvia has entered into international agreements on the promotion and protection of investments. Foreign nationals from third countries are subject to restrictions on the acquisition of land in state border zones, specially protected areas, natural resource extraction areas, and agricultural or forest land.

TRANSFER OF RIGHTS TO REAL ESTATE

Each real estate transaction involving changes in ownership rights must be registered in the Land Register, which stores information regarding the legal status of real estate. Registration of the transfer of real-estate ownership rights is done by submitting registration applications signed by both seller and purchaser. Before registration with the Land Register, the owner must settle any real-estate tax debt on the property and pay stamp and state duties (see the section Real Estate Tax). Applications for transfer of real-estate rights are reviewed in ten days.

PROTECTION OF INTELLECTUAL PROPERTY

Latvian legislation provides four main instruments for protecting intellectual property: patents, trademarks, designs, and copyrights. All laws regarding the protection of intellectual property are harmonized with EU legislation and international conventions.

The Patent Office is the institution that implements state policy on the ensuring of industrial property rights and makes decisions on the granting of patents or the registration of trademarks, designs, or additional protection certificates. It maintains official state registers of patents, trademarks, and registered designs and certifies individuals to act as intermediaries in the registration of intellectual property.

The rights to use intellectual property can be acquired in the form of licenses or license agreements. The owner of intellectual property is entitled to transfer ownership rights to another person together with a company or separately from it.

REGULATION OF COMPETITION, MERGERS, AND ACQUISITIONS

Foreign and local companies commencing business or involved in reorganization (merger or acquisition) must comply with the corresponding provisions of the Competition Law, the Commercial Law, and the Law on Corporate Income Tax. Since Latvia acceded to the EU in 2004, the Competition Law and the national competition authority – the Competition Council – have operated in accordance with EU regulations on mergers and acquisitions.

The protection and development of competition in Latvia is performed by the Competition Council, whose main tasks are to:
- Monitor observance of the prohibition against the abuse of dominant positions and prohibited agreements by market participants.
- Monitor observance of the Advertising Law.
- Examine submitted notifications regarding agreements between market participants and take decisions in respect of them.
- Restrict market concentration.
The Competition Council has the right to:
• Carry out market supervision.
• Conduct investigations of competition violations.
• Provide opinions regarding the conformity of market participants’ activities.
• Submit pleadings, applications, and complaints to courts.

PROTECTION OF THE RIGHTS AND INTERESTS OF INVESTORS

RIGHTS OF SHAREHOLDERS
The rights of investors in Latvia are protected by the Commercial Law, the Civil Law, and the Law on Judicial Power. Shareholders exercise their rights in annual shareholders’ meetings. Shareholders who jointly represent not less than one-twentieth of the equity capital of a company can request extraordinary shareholders’ meetings. Any shareholders can bring an action in court to revoke decisions taken by shareholders’ meetings if they were unlawfully prevented from participating in the meeting or from familiarizing themselves with relevant information, or significant violations have occurred in making such decisions.

LATVIAN COURT SYSTEM
The Law on Judicial Power prescribes that all court judgments have the force of law after the expiration of their appeal or protest deadline. The Latvian court system is structured in three levels: (1) district (city) courts operate as first-level courts for civil, criminal, and administrative matters; (2) six regional courts operate as first-instance courts for more complicated cases and appeal courts for cases adjudicated by district courts; and (3) the Supreme Court, composed of the Senate, the Civil Matters Panel, and the Criminal Matters Panel, is the cassation instance for all matters previously adjudicated by district (city) courts and regional courts, and the appeal court for cases adjudicated by regional courts.

PROTECTION OF INVESTORS
Rights regarding investment made by foreign investors in Latvia are covered by bilateral agreements on the promotion and protection of investments. The agreements state that all disputes between investors and the contracting state must be resolved through negotiation. Where disputes are not resolved by negotiation, investors can hand over the dispute to a competent court in the country where the investment was made or to any ad hoc arbitration tribunal established under UNCITRAL or ICSID.

FOREIGN INVESTORS’ COUNCIL IN LATVIA
The Foreign Investors’ Council in Latvia (FICIL) is a non-government organization that unites the largest companies from various countries and sectors which have made significant investments in Latvia, as well as ten national chambers of commerce operating in Latvia. The companies represented in FICIL account for about 31% of total FDI stock.

FICIL’s activities are based on a dialogue with the Latvian government, with the aim to improve the business environment and investment climate in the country. FICIL members identify issues that affect business operations and cooperate with various government agencies on a day-to-day basis to solve problems through changes in legislation or administrative procedures. The main activities of FICIL address four key issues for improving Latvia’s investment climate:
• Transparency.
• Elimination of protectionism for a well-functioning market and reduced inflation.
• Stability and predictability in the investment climate.
• More effective attraction of foreign direct investment.

FICIL meets with the government in annual High Council meetings, jointly chaired by the sitting Prime Minister and FICIL’s Honorary Chairman, to discuss Latvia’s economic development, exchange views and ideas in order to improve the business environment, and facilitate further investment in the country.

Additional information:
www.liaa.gov.lv
www.pmlp.gov.lv
www.zemesgramata.lv
www.ficil.lv
www.tiesas.lv
www.mfa.gov.lv
www.ur.gov.lv
CENTRAL BANK AND THE COMMERCIAL BANK SECTOR
The central institution of Latvia’s financial environment is the Bank of Latvia – Latvia’s central bank. According to the Law on the Bank of Latvia, the bank’s main goal is to execute Latvia's monetary policy and to maintain price stability nationally. The Bank of Latvia also ensures the operation of the Credit Register. The bank grants legal persons registered in the Enterprise Register (except credit institutions) licenses for the purchasing and selling of foreign currency in the form of business activities, and controls compliance with its established procedures for purchasing and selling foreign currency.

To become fully-fledged member of the Economic and Monetary Union, Latvia adopted the euro as the national currency on January 1, 2014.

Financial and capital markets are regulated by the Financial and Capital Market Commission (FCMC), established in 2000 to sustain stability and development and to promote free competition within financial markets. The FCMC has the authority to monitor and regulate all participants in financial and capital markets (investors, credit institutions, insurers, stock exchanges, depositories, brokers, etc.). The banking system comprises several types of credit institutions:
• Commercial banks.
• Credit institutions.
• Mortgage banks.
• Subsidiaries, branches, and agencies of foreign banks.

INSURANCE SECTOR
At the end of 2014, 7 insurance companies were operating in Latvia - two life insurance companies and five non-life insurance companies, as well as eleven branches of foreign insurance companies. The provision of insurance services and insurance company operations are regulated by the Law on Insurance Companies and the Supervision thereof.

STOCK EXCHANGE
The leading institutions operating in the securities market in Latvia are NASDAQ OMX Riga and the Latvian Central Depository. Through these two enterprises, market participants are provided with an environment for carrying out transactions with securities, the clearing and settlement of securities’ transactions, the listing of securities, and the operating of a central public securities register and a funded pension-fund register. NASDAQ OMX Riga is a part of the NASDAQ OMX Group, Inc., which is the world’s largest exchange company. At the end of 2014, NASDAQ OMX Riga listed 30 companies with total market capitalization of EUR 884.41 million. According to the provisions stipulated by the Financial Instrument Market Law and the rules of NASDAQ OMX Riga, companies that are interested in listing their shares on the main list of NASDAQ OMX Latvian market must meet certain requirements:
• Prospectus approved by the Latvian supervisory authority.
• At least EUR 4 million market capitalization.
• At least 3 years of operation.
• Must list at least 25% of total number of shares, or, if less than 25% of total shares are listed, total capitalization of the listed shares shall not be less than EUR 10 million.
• Financial statements prepared according to IFRS or GAAP standards.

Additional information:
www.liaa.gov.lv
www.bank.lv
www.nasdaqomxbaltic.com
www.ktkk.lv
www.laa.lv
www.bankasoc.lv
GENERAL PRINCIPLES
The Law on Taxes and Duties, adopted on February 2, 1995, determines Latvia’s general taxation principles. This law is applicable generally, unless specific tax laws such as the Law on Value Added Tax, Law on Corporate Income Tax, or any other provide for different rules. If there is a conflict between general principles and specific rules, the specific rules prevail.

According to the Law on Taxes and Duties, duties are imposed either by the state or the municipality. The state is entitled to impose duties on a number of different items. These include vehicles, court applications, notary applications, gambling, changes of identification data, reservation of land in rural areas, transactions with vouchers and bills of exchange, immigration services, business licenses/permits, registration of security interests, applications for patents, trademarks, or plant protection certificates.

The state taxes are:
1. Personal income tax.
2. Social security contributions.
3. Real estate tax, including stamp duty.
4. Corporate income tax, including withholding taxes.
5. Value added tax.
7. Natural resource tax.
8. Motorcycle and motor car tax.
10. Customs duties.

VAT REGISTRATION
Persons registered in Latvia whose supplied goods and services during a 12-month period exceed EUR 50 000 are liable to register as VAT payers. The said total value of supplied goods and services does not include the value of supplied capital and intangible assets if such supply has been carried out once in 12 months. However, companies are allowed to register as VAT taxable persons and further to apply VAT on supplies performed before the respective threshold is met. Moreover, non-taxable legal and natural persons registered in Latvia who carry out economic activities shall be liable to register as VAT taxable persons in Latvia if they perform intra-Community acquisition of goods or provide services and the total value of the transactions exceeds EUR 10 000 during the year.
In its annual overview Paying Taxes 2014, PricewaterhouseCoopers has ranked Latvia among those countries that have a relatively low total tax rate. This means that in Latvia your company will spend a smaller proportion of its profits on taxes than in most other countries around the world.

The Latvian government has continuously worked on developing a business-friendly tax policy, introducing low business tax rates. For example, while CIT already is one of the lowest in EU - only 15% flat rate, in 2012 VAT was reduced from 22% to 21%, in 2013 Personal Income Tax (PIT) was reduced from 25% to 24% and in 2014 Social Security Contribution (SSC) was reduced by 1% (0,5% to both parts- employee and ). Also further tax reduction is planed- in 2016 PIT will be reduced to 22%.

Comparison of the Total Tax Rate in the European Union
Source: PricewaterhouseCoopers, Paying Taxes 2014 - The Global Picture

Additional information:
www.liaa.gov.lv
www.vid.gov.lv
www.fm.gov.lv
Trade and Customs

TRADE AND CUSTOMS PROCEDURES
Since accession to the EU in 2004, customs policy has been regulated by EU legislation. Latvian customs legislation only regulates specific areas not covered by EU legislation.

According to the EU Community Customs Code, community goods are:

- Goods fully produced in the EU, without any raw materials from third countries.
- Goods imported from third countries which have been released for free circulation in the EU customs zone.
- Goods produced in the EU customs zone from the above-mentioned goods.
- Goods are subject to internal transit procedures (preparation of respective customs declaration) if they are transported from one member state to another, crossing the territory of a third country.

AVERAGE CARGO DELIVERY TIME FROM RIGA

<table>
<thead>
<tr>
<th>Destination</th>
<th>Time</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholm</td>
<td>24h</td>
<td>20 million</td>
</tr>
<tr>
<td>Tallinn</td>
<td>24h</td>
<td>60 million</td>
</tr>
<tr>
<td>Vilnius</td>
<td>24h</td>
<td>200 million</td>
</tr>
<tr>
<td>Oslo</td>
<td>2 days</td>
<td>300 million</td>
</tr>
<tr>
<td>Moscow</td>
<td>2 days</td>
<td>500 million</td>
</tr>
<tr>
<td>Minsk</td>
<td>3 days</td>
<td>600 million</td>
</tr>
<tr>
<td>Krakow</td>
<td>4 days</td>
<td>&gt;600 million</td>
</tr>
<tr>
<td>Berlin</td>
<td>5 days</td>
<td>&gt;600 million</td>
</tr>
<tr>
<td>Munich</td>
<td>6 days</td>
<td>&gt;600 million</td>
</tr>
<tr>
<td>Budapest</td>
<td>7 days</td>
<td>&gt;600 million</td>
</tr>
</tbody>
</table>

Customs duty is applied to goods imported from or exported to third countries. Upon the release of goods for free circulation in the EU customs area, Common External Tariffs are applied, meaning that the same duty is applied for import into any EU member state. The amount of import duty applied depends on the classification and origin of the goods and is stipulated in EU legislation. VAT and other taxes, if applicable, are applied to imported goods only in the country where the goods are released for consumption.

Importers of goods can acquire EU tariff quotas permitting importers to import certain amount of goods in certain periods of time for lowered or zero customs duty. Importers can obtain tariff quotas applicable to specific goods or specific goods from a specific country.

More information on required import or export duties, according your requirements, can be obtained at the EU Export Helpdesk (www.exporthelp.europa.eu).
ACCOUNTING
Accounting and bookkeeping in Latvia are regulated by the Law on Accounting, which states that accounts must reflect all of a company’s economic transactions and all changes in the state of the company’s property, so that a third person qualified in the area of accounting may obtain a true and clear representation of the financial position of the company.

Accounting registers must be maintained in the Latvian language and kept together with source documents in the territory of Latvia. If a foreign legal or natural person participates in the economic transactions, another language may be used. Companies must maintain accounting registers using a double entry accounting system. All source documents, accounting registers, and other documents related to the company’s accounts must be kept in the company’s archive for a period between 5 and 75 years, depending on the type of the respective documents.

The accounting year usually coincides with the calendar year. The first accounting year for newly established companies may not exceed 18 months. Companies may change their accounting year if appropriate explanations are provided. Where the financial year is different from the calendar year, this should be stated in companies’ Articles of Association.

ANNUAL FINANCIAL REPORTING
Companies, cooperatives, individual merchants, and farms registered in Latvia must prepare annual financial reports in accordance with the Annual Accounts Law if revenue in the previous financial year exceeded EUR 300 000. Annual financial reports consist of a financial report and a report by the company’s management. Companies can choose not to prepare cash flow statements, not to prepare statements of changes in equity, and not to calculate and report deferred tax assets and obligations, and they may prepare shortened annexes, if the company does not exceed two of the following conditions:

• Total value of balance sheet – EUR 400 000.
• Net turnover – EUR 800 000.
• Average number of employees in the accounting year – 25.

Reports by company management must provide information about the development of the company, financial results, and the main risks and uncertain conditions faced by the company.

The annual financial reports prepared by companies must be audited by a sworn auditor in accordance with the Law on Sworn Auditors if the company exceeds two of the above mentioned criteria, or in case a company issues transferable securities that are admitted to trading in the regulated market of a member state.

Companies must submit their annual financial report together with the sworn auditor’s report (if such exists) to the SRS no later than one month after approval of the annual financial report, and no later than four months after the end of the accounting year.

Additional information:
www.liaa.gov.lv
www.vd.gov.lv
www.fm.gov.lv
QUALITY OF LIFE AND RECREATION

SIGHTS AND EXPERIENCES
Apart from being the capital of Latvia and indisputably the largest city in the three Baltic states, Riga is also Europe’s capital of Art Nouveau architecture and one of the “greenest” cities in the region. Entertainment options for all ages and tastes range from upmarket clubs, cinemas, and casinos, to traditional theatres and exhibitions, as well as a zoo and an open-air Skansen-style museum for family visits. The Latvian National Opera, in the very centre of Riga, is the proud architectural symbol of a newly independent nation; the distinguished building hosts internationally renowned orchestras, opera, and ballet troupes and attracts major international artists touring Europe. Riga’s Old Town is on UNESCO’s World Heritage List and offers a variety of historical and contemporary influences. These are perfectly captured in a number of Lutheran, Catholic, and Orthodox churches, a synagogue, and, naturally, a mix of international restaurants as well as Irish and British pubs – all within a few blocks of each other. Latvia’s own distinctive cuisine is becoming a major attraction for visitors to Riga, with a number of local “ethnic” restaurants arriving on the scene throughout the capital.

Nevertheless, Riga and its surrounding region is only half of Latvia’s story. The remainder can offer an array of recreational options from cozy B&Bs with only a light touch of “virtual rurality,” to open-air medieval theater, to rock and pop festivals with international stars. An evening at country house featuring a Latvian “herbal sauna,” horseback riding across scenic hills, or fishing in a murmuring stream makes for a refreshing shared break, either for a management team or for a family. If you’d like a more culturally oriented country trip, Latvia offers numerous castles and manors complete with a variety of museums. The extensive Baltic seashore is full of traditional fishing villages welcoming visitors with delicious freshly smoked fish or pleasant boat trips.

The most important national celebration in Latvia is St. John’s Day – the summer solstice on the 23rd of June – when the entire nation gathers at bonfires to greet each other with bouquets of seasonal flowers and grasses and to consume a slice of traditional cheese with a mug of specially-brewed beer. Latvia also boasts its own renowned quadrennial event – the Song and Dance Festival, which culminates in an open-air massed choral concert featuring several thousand singers.

Latvia is also fond of modern musical traditions. The most popular Latvian pop music group, Brainstorm, became popular across Europe after its success at the 2000 Eurovision Song Contest. Latvian singer Marie N went one step further by winning Eurovision in 2002; as a result of her victory, the 2003 contest took place in Riga. The rapidly growing music-festival scene offers musical entertainment for any taste, from the Early Music Festival in Rundale Palace to the Positivus Festival by the seaside in Salacgriva.

For sports fans, Latvia can offer all the traditional activities including basketball, football, tennis, and ice hockey, as well as golf, swimming, and ten-pin bowling. In terms of outdoor activities, the most popular are jogging, hiking, cycling, and orienteering. In addition, Latvia has a number of rivers and streams with good facilities for recreational rafting and canoeing; and for winter sport enthusiasts, the Latvian countryside offers several hills equipped for downhill skiing.

The most popular spectator sports in Latvia are ice hockey, football, and basketball. Since Latvian teams have participated in their respective world championships, Latvian ice hockey and football fans have become well-known all over the world. In 2006, Riga hosted the world ice hockey championship. Latvian hockey team Dinamo Riga competes in the newly established Continental Hockey League, and in 2009 reached the league’s Western Conference semi-finals.
Wind tunnels were not initially intended for active recreation and entertainment, but the northern Latvian town of Sigulda begs to differ. Sigulda offers the Aerodium wind tunnel—a device blasting air upwards in the form of a vertical pillar, enabling visitors literally to take to the air. The coaches at Aerodium are among the world’s leading professionals in their field, which was proven when the Aerodium team participated in the closing ceremony of the Turin Winter Olympics in 2006 and built the Latvian pavilion at the international EXPO 2010 exhibition in Shanghai.

NATURAL TREASURES
Despite being a relatively small country of northerly latitude, Latvia features remarkable biodiversity as a result of low-intensity agricultural and forestry activities during the years of worldwide industrialization. This, together with low rural-population density, has ensured the survival of ancient forests that host an incredible variety of fauna, both large and small. White stork and the rarer black storks have a number of colonies in northern Latvia, along with other rare plant and animal species. This has made Latvia a hot spot on international birdwatchers’ maps. For less “professional” eco-tourists, Latvia offers a national park and four nature reserves spread across the country, each with educational nature trails, observation platforms, and herds of wild horses.

SETTLING IN LATVIA
Along with international chain hotels, Riga and the other largest cities have first-class residential property available for purchase or rent. The prices for these vary greatly, depending largely on location. The purchase of a comfortable country home in close proximity to any major city is guaranteed to be a sound investment. Latvia has one of the highest ratios of doctors per head of population, and this ensures the quality of medical service in both public and private health centers and clinics. This, in combination with reasonable costs, has recently created a wave of “medical tourism” from neighboring EU countries where medical costs can be excessive. There are three international schools in Latvia, and they are highly appreciated by the children of diplomatic staff and the country’s expatriate populations. One of them is located near by city Jūrmala, another one sits beside the Daugava River at Kipsala and the third international school is in the Riga suburb of Pinki. In addition, most Latvian universities and colleges offer education of international quality within the humanities, social and natural sciences, and technologies for English-speaking exchange students or free-movers.

In addition to organizations such as various foreign chambers of commerce, informal circles of expatriates have formed in Riga, uniting people from various countries and professional backgrounds for regular cultural and recreational activities.

Additional information:
www.liaa.gov.lv
www.inspirationriga.com
www.latviatourism.lv
www.liveriga.com
www.allhotels.lv
www.celotajs.lv
www.li.lv
The Investment and Development Agency of Latvia (LIAA), a government agency reporting to the Ministry of Economics, was founded to promote business development by facilitating the growth of foreign investment and increasing the competitiveness of Latvian entrepreneurs in domestic and foreign markets. With over 20 years of experience in the attraction of foreign direct investment to Latvia and the promotion of foreign trade, LIAA today offers an integrated solution. The agency supports companies both in Latvia trading internationally, as well as overseas enterprises seeking business partners or locations in Latvia. To meet both these objectives, LIAA administers the State Support Programs for Entrepreneurs, co-financed from EU Structural Funds.

LIAA is also involved in the implementation of national programs for export and investment attraction. Working in close cooperation with the business community (particularly with the Foreign Investors Council in Latvia, the National Economic Council, and industry associations), LIAA facilitates the steady improvement of the business environment, especially in the area of administrative procedures.

**ONE-STOP SHOP FOR FOREIGN INVESTORS AND BUYERS**
Investment Facilitation:
- Assistance in investment location selection and implementation of investment projects.
- Provision of all relevant information on business opportunities and investment incentives.
- Identification of the best property options for manufacturing facilities, offices, and land.
- Assistance in establishing and developing contacts with Latvian business partners.
- Providing information on potential investment opportunities in Latvia (Investor search for Latvian companies and projects).
- Assistance with start-up procedures.

Supplier Searches:
- Assistance in finding appropriate Latvian suppliers and in increasing their competitiveness.
- Provision of information on Latvian exporting companies, export products, and services.
- Search of Latvian suppliers according to buyers’ requirements.
- Distribution of incoming business proposals to Latvian companies directly and via the Internet.
- Organization of trade seminars and foreign trade missions to Latvia.
- Consultancy and foreign market studies for Latvian enterprises.
- Assistance to Latvian companies at various international exhibitions and trade missions, export promotion campaigns, and business matchmaking.
- Provision of information on workforce availability and skill evaluation.

**FOLLOW UP SERVICE**
Follow-up and support after the implementation of investment or sub-contracting projects.

**STATE SUPPORT PROGRAMMES**
Implementation of a number of state support programs available for companies registered in Latvia, advancing grants for participation in international exhibitions and trade missions, consultancy, modernization of business-related infrastructure, development of new products and technologies, programs for increasing the qualifications of employees.

**INFORMATION ON EU SINGLE MARKET**
The Latvian branch of the Enterprise Europe Network (EEN) operates within LIAA and provides information about European Union policies, legislation, regulations, and trade systems, as well as assists in the seeking of business partners within the EEN network in 47 countries around the world.
INTERNATIONAL AND REGIONAL NETWORK
LIAA is local and international at the same time. Its network of foreign representatives and cooperative network with other institutions in Latvia and abroad takes LIAA close to its customers and links them to the main markets, business partners, and locations.

LIAA has representative offices in Minsk (Belarus), Beijing (China), Copenhagen (Denmark), Paris (France), Berlin (Germany), Tokyo (Japan), Vilnius (Lithuania), The Hague (the Netherlands), Oslo (Norway), Warsaw (Poland), Moscow (Russia), Stockholm (Sweden), London (UK) and Kiev (Ukraine), as well as a developed network of public representatives in Germany, Finland, Spain, Switzerland, Liechtenstein, Russia, India, Egypt, and Japan.

LIAA works in close cooperation with the Ministry of Foreign Affairs and diplomatic missions represented in 75 countries around the world.

LIAA also cooperates with local municipalities and regional development agencies.

FOREIGN REPRESENTATIVES
LIAA foreign representatives provide information about business opportunities in Latvia, relevant legislation, the taxation system, the national economy, and external trade. These representatives promote and facilitate cooperation between Latvian companies and businesses in the particular country or region, as well as assist in finding co-operation partners.

Additional information:
www.polarisprocess.com
www.liaa.gov.lv
www.exim.lv
Abbreviations

The following abbreviations are used in this report:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEE</td>
<td>Central and Eastern Europe</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>EEA</td>
<td>European Economic Area</td>
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<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EUR</td>
<td>Euro</td>
</tr>
<tr>
<td>FCMC</td>
<td>Financial Capital and Market Commission</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
</tr>
<tr>
<td>FICIL</td>
<td>Foreign Investors' Council in Latvia</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>ICSID</td>
<td>International Centre for Settlement of Investment Disputes</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>ISP</td>
<td>Internet service provider</td>
</tr>
<tr>
<td>IT</td>
<td>Information technology</td>
</tr>
<tr>
<td>JSC</td>
<td>Joint-stock company</td>
</tr>
<tr>
<td>LIAA</td>
<td>Latvijas Investīciju un attīstības aģentūra (Investment and Development Agency of Latvia)</td>
</tr>
<tr>
<td>LLC</td>
<td>Limited liability company</td>
</tr>
<tr>
<td>LVL</td>
<td>Latvian lats</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PIT</td>
<td>Personal income tax</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RO-PAX</td>
<td>Roll-On-Roll-Off-Passenger-ship/ferry</td>
</tr>
<tr>
<td>RO-RO</td>
<td>Roll-On-Roll-Off Ships</td>
</tr>
<tr>
<td>SAD</td>
<td>Single Administrative Document</td>
</tr>
<tr>
<td>SEA</td>
<td>State Employment Agency</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprises</td>
</tr>
<tr>
<td>SRS</td>
<td>State Revenue Service</td>
</tr>
<tr>
<td>SSC</td>
<td>Social security contributions</td>
</tr>
<tr>
<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
</tbody>
</table>
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Your best partner in LATVIA for

- Smart investments
- Business and trade expansion
- Commercialization of innovative ideas via EU and private funds

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Liepaja city offers:

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- Wide range and size of business territories (greenfields and brownfields);
- Ice-free port and logistic solutions;
- Special Economic zone tax advantages;
- Easy and convenient business travel;
- Supportive municipal project team.

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