



LATVIJAS DZELZCEĻŠ

ANNUAL REPORT



2011

MILESTONES OF 2011

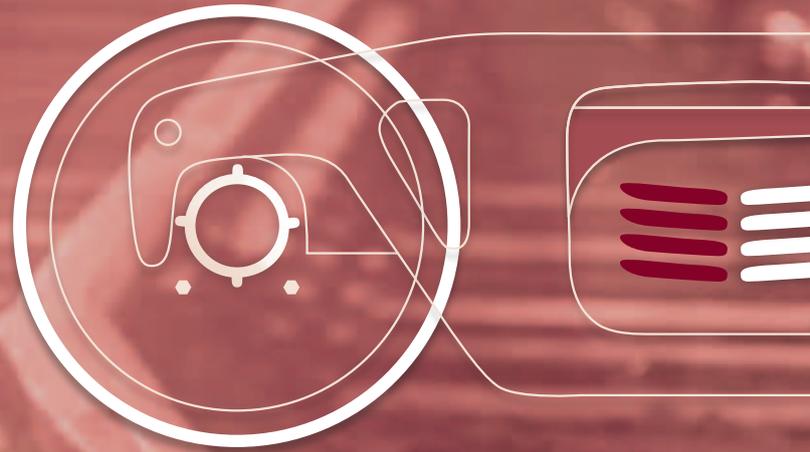
- In 2011, Latvijas dzelzceļš carried almost 60 million tons of freight.
- The State Revenue Service has listed Latvijas dzelzceļš as the ninth largest taxpayer in Latvia.

- Latvijas dzelzceļš has been one of the most efficient rail carriers in the European Union in 2011, according to the annual report by the International Union of Railways (UIC). It has been ranked alongside the three major powers in freight transport - Germany, Poland and the Czech Republic.
- The largest project in the history of the company - a fully automated rail traffic management system in the busiest freight corridor spanning the entire country from the Eastern border (Russia) to the ports in the West - was commissioned in late 2011. 54 stations are connected in a common signalling system. EU co-funding was used for the implementation of the project.
- A new passenger route from Riga to Minsk has been launched. It complements the existing passenger services to Moscow and Saint Petersburg.
- In 2011, Latvijas dzelzceļš was named the third most valuable company in Latvia. The Kapitāls magazine has compiled its sixth annual edition of TOP 101 most valuable companies in Latvia. The list is based on financial analysis collaboration of Latvian companies by IBS Prudentia banker's society, NASDAO OMX Riga stock exchange andLursoft.



LATVIJAS DZELZCEĻŠ

ANNUAL REPORT



2 0 1 1





LATVIAN RAILWAY KEEPS GROWING

Already for few years the State Joint Stock Company *Latvijas dzelzceļš* is the leading company among Baltic States carrying the biggest freight amount, still year 2011 is a historic one as we have reached the record in freight amount – 59.4 million tons were carried along 1850 km of railroad. Due to the growing demand *Latvijas dzelzceļš* has managed to develop the infrastructure in order to provide greater throughput.

BEATING RECORD IN RAIL FREIGHT TURNOVER

For *Latvijas dzelzceļš* 2011 was a rail freight record year. Its subsidiary company LDZ Cargo Ltd carried 59,4 million tons of freights. Amount of freights carried has almost reached the maximum capacity limit – which is 65 million tons. In order to ensure compliance of infrastructure with freight volume increase, we are planning to increase capacity of infrastructure to carry up to 85 million tons per year. It is planned to increase capacity in directions to Russia, Belorussia and Lithuania.

In the previous year the most frequent carried type of goods on Latvian railways were oil and oil products 34% of the whole amount, coal – 34.4%. Main cooperation partner of *Latvijas dzelzceļš* in 2011 was Russia – 67.5% , Belarus – 21.3%, 3.7% – Lithuania.

In 2011 we experienced a significant increase in coal freight, but ports were not always able to handle coal on time and it created wagon idle. Still that didn't influence or disturb motion of other wagons and load compositions on main roads.

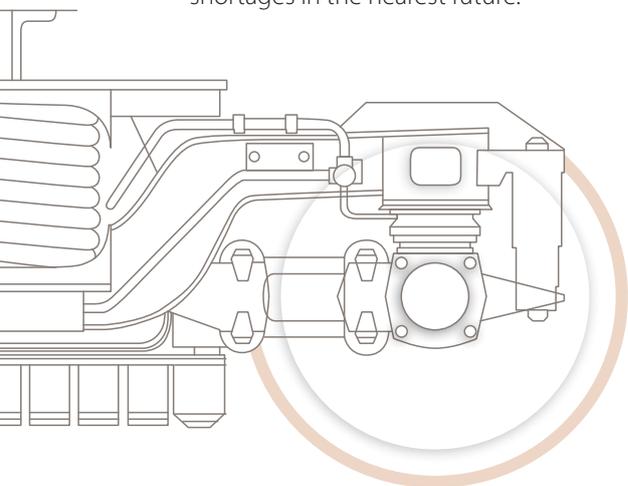
Latvijas dzelzceļš still has capacity reserve, but there are sections – bottlenecks – which need immediate investments to prevent capacity shortages in the nearest future.



According to freight volumes in relation to total rail track length *Latvijas dzelzceļš* is the fourth busiest railway in Europe. This shows the effectiveness of the company. Still to become more effective our railroads need considerable investments and modernisation of technological systems.

A total of 335,000 passengers travelling to and from Saint Petersburg, Moscow and Minsk were served in 2011. It is slightly less than in 2010 when the number was 338,000.

In collaboration with Russian Railways we will continue the work on increasing the passenger traffic speed in the Riga-Moscow route to meet the potential demand in 2018 when Russia will host the football World Cup.





INVESTING IN INFRASTRUCTURE

Development of railway infrastructure is a continuing process. In 2011 we completed installation of control systems for detection of heated axle boxes. This system was carefully tested during summer of 2011. Warming of axle boxes is one of the main risk factors for railway transport – if the warming process is not detected timely it can lead to a serious accident. Control of these parameters now is fully automated. If increased heating is detected, the nearest station receives warning signal, train is stopped and checked at the station. It significantly increases efficiency and traffic safety.

One of the most important projects for *Latvijas dzelzceļš* ensuring smooth traffic is the construction of the second rail track in the Skrīveri – Krustpils section which began in 2011. The goal of the track construction is to increase the section capacity to ensure smooth and reliable traffic flow to the port of Riga and efficient freight transit in the East – West corridor. The construction is scheduled to end in 2014.

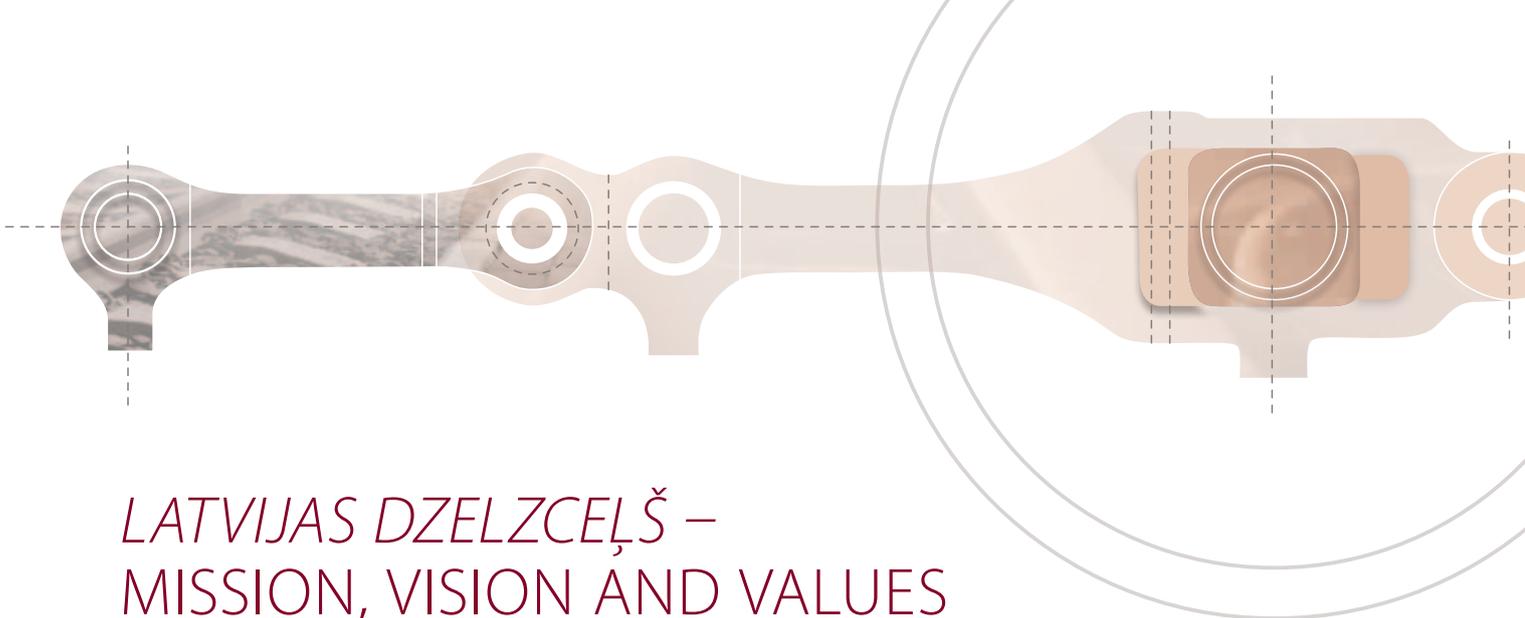
One of the most ambitious projects completed in 2011 and benefiting in terms of rail freight flow monitoring and enabling the traffic coordination optimisation was the microprocessor train traffic management system that joins the Eastern-Western corridor of the country (54 stations between Daugavpils – Indra, Rēzekne-Krustpils, Jelgava and Ventspils) into a sophisticated control system network.

One of the major railway hubs in Latvia is Šķirotava marshalling yard in Riga where more than 2500 carriages are sorted each day. Most of the trains bound for the key Riga port terminals are formed at the station. However, the process is technologically very outdated, for example, railway staff have to brake the carriages by manually putting special brake shoes under the wheels. Following the completion of substantial construction and information systems' upgrades, the carriage braking will be carried out automatically using technology by *Siemens* instead of brake shoes. A contract on renovation works was signed in 2011.

The project cost is LVL 27.3 million, where LVL 16.7 million comes from the European Union Cohesion Fund, LVL 4.8 million from state funding, and LVL 5.8 million from *Latvijas dzelzceļš*. The project should be implemented by 2015.

In 2011, *Latvijas dzelzceļš* carried out a research on railway electrification in collaboration with ETC/COWI/GRE JV, to develop possible project implementation variants. By the end of 2012 we are planning to evaluate the best options for acquiring EUR 549 million (LVL 385.84 million) funding for the rail electrification project. DC electricity grid in Riga region is suitable for passenger trains and has not been modernised for many years now. The project aims at transition to 25 kilovolt AC system on the currently electrified lines and construction of new electrical systems on the main railway corridor in Latvia. Its goal is to increase the operation efficiency and rail corridor competitiveness compared to overseas competitors and to reduce impact on environment. Railway electrification is to be implemented between 2015 and 2022.

UĢIS MAGONIS,
President of the State Joint Stock Company *Latvijas dzelzceļš*



LATVIJAS DZELZCEĻŠ – MISSION, VISION AND VALUES

The scope of how *Latvijas dzelzceļš* implements its goals and aims has been formulated in the mission and vision of the company, which is adhered to in developing and improving the concern functions and operations, staff competence and motivation, selection of and working with new strategic objects and areas of cooperation.

MISSION

ENSURE RAIL INFRASTRUCTURE MANAGEMENT AND TRANSPORT IN THE INTERESTS OF THE LATVIAN ECONOMY.

VISION

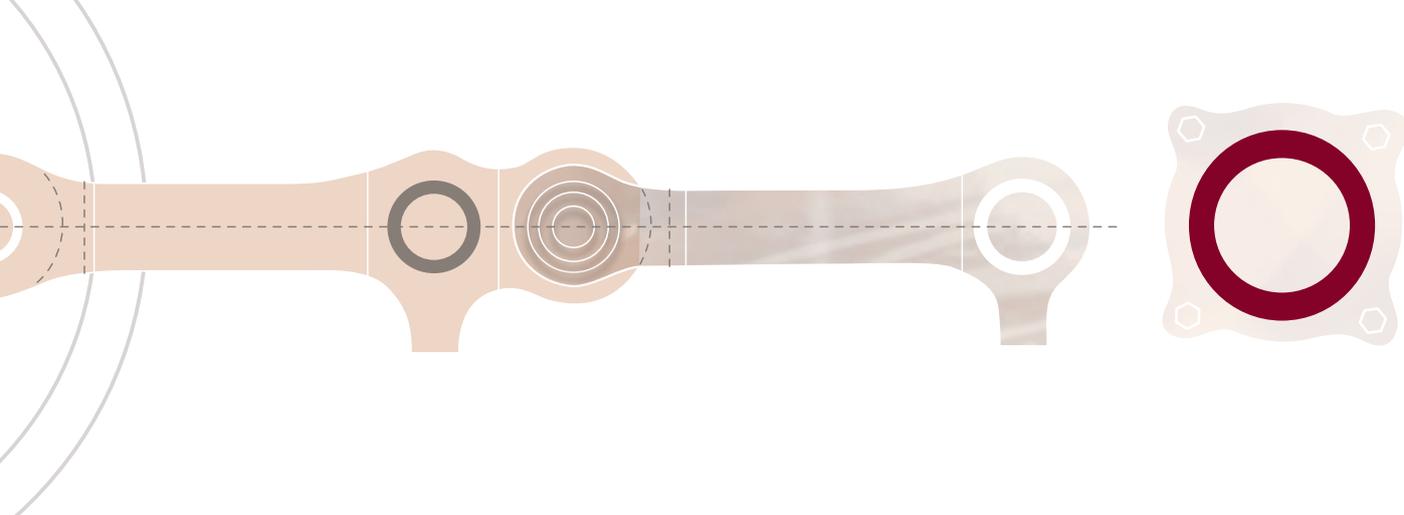
TO BECOME A PROGRESSIVE, RELIABLE AND EFFICIENT RAIL COMPANY.

Over the years of professional business, *Latvijas dzelzceļš* has formulated and is adhering to the values of the company that have helped consolidate and create a company nucleus and at the same time serve as a point of reference and the key principle in contacts with cooperation partners, in business environment, participation in numerous professional rail organisations and also in the daily activities of the company employees.

KEY COMPANY VALUES

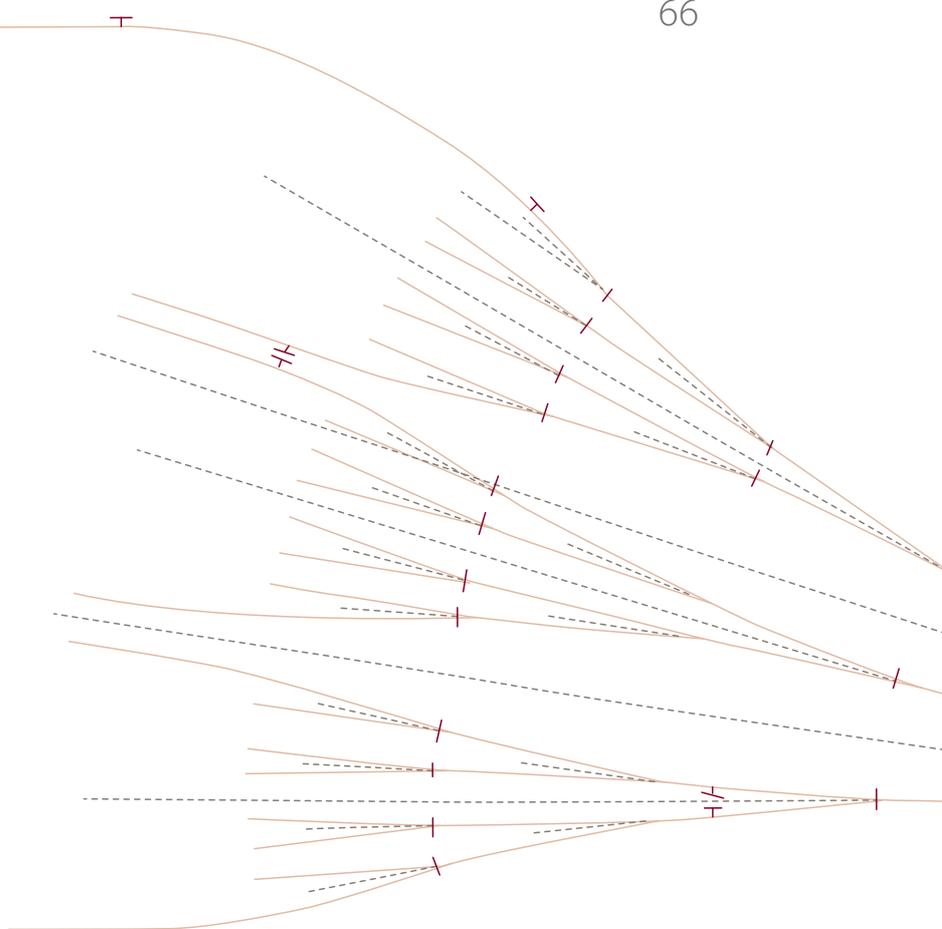
COMPETENCE, RESPONSIBILITY, RELIABILITY, INITIATIVE, COOPERATION.

The values of *Latvijas dzelzceļš* match its activities to the extent that they have been given a sustainability index. In 2011, the company received a silver medal for sustainable and environmentally friendly company management and transparent social communications. The Sustainability Index is presented by the Free Trade Union Confederation of Latvia and the Employers' Confederation of Latvia. Companies that choose to have their sustainability level determined and obtain expert advice, are rated by their responsibility and openness.



CONTENT

COMPANY IN BRIEF	8
AREAS OF OPERATION OF <i>LATVIJAS DZELZCEĻŠ</i>	11
RESPONSIBILITY AND SOCIAL ACTIVITIES OF <i>LATVIJAS DZELZCEĻŠ</i>	39
CONCERN'S FINANCIAL REPORT	66





COMPANY IN BRIEF

AIM AND PURPOSE OF THE ANNUAL REPORT

The annual report contains information about the State Joint Stock Company *Latvijas dzelzceļš* and its five subsidiaries: *LDZ infrastruktūra* Ltd., *LDZ ritošā sastāva serviss* Ltd., *LDZ apsardze* Ltd., *LDZ Cargo* Ltd. and its subsidiary *LDZ Cargo Loģistika* Ltd., *JSC LatRailNet*. The publication provides information about the achievements of the company in its direct operations, projects implemented in the social, environmental and ecological domain and the strategic goals and plans for comprehensive and versatile development of the company.

CREATION OF LATVIAN RAILWAYS

The railway in Latvia originated in the early 19th century. At the time, Latvia was the most distant section of Tsarist Russia's railway lines. Subsequently it became a state company of the Republic of Latvia, then a part of the Baltic railways during Soviet rule and has been the railway company of independent Latvia. From 2005 to 2007, the activities of *Latvijas dzelzceļš* were reclassified according to the requirements of the European Union, resulting in gradual establishment of a concern with five subsidiaries. Each of the companies has its own management and governance system which is closely connected to the parent company as far as strategic decisions are concerned, yet retains autonomy in branch-specific decision making, budget planning and management.

DESCRIPTION OF ACTIVITIES OF *LATVIJAS DZELZCEĻŠ*

The company manages, maintains and develops the rail infrastructure in Latvia, plans and fixes the charges for the use of infrastructure, carries out domestic and international freight transportation and provides international passenger services.

Latvijas dzelzceļš is amongst the largest companies in the country and is the backbone of the national transit bringing from 70 to 75 million lats to the national budget each year. Pursuant to the company mission and vision, the amount of freight carried grows with each year: a record 60 million tonnes were carried in 2011, continuing to increase the concern's contribution to the national economy and maximising the use of the company resources. *Latvijas dzelzceļš* also provides long-term employment for almost

12,000 people or 1% of working-age residents of Latvia. The company is the largest payer of social and personal income tax into the state budget. The taxes for 2011 amounted to LVL 74,459,901, LVL 35,380,833 of those being social tax and LVL 18,933,076 the personal income tax.

In Latvia, *Latvijas dzelzceļš* oversees 1884.2 km of rail lines, 729 bridges, 6126 rail carriages, 209 locomotives, 152 stations (70 of those open for freight operations) and 557 level crossings.

The most frequent types of goods carried on Latvian railways are oil and oil products (36%), coal (30%), mineral fertilizers (nearly 9%), ferrous metals (5%), chemicals (3%) and other types of cargo.

The main cooperation partners of *Latvijas dzelzceļš* are Russia, Belarus, Uzbekistan and Kazakhstan.

Local passenger services in Latvia are provided by *JSC Pasažieru vilciens*. International passenger services are provided by the subsidiary of *SJSC Latvijas dzelzceļš*: *LDz Cargo* Ltd., which carried 335,000 passengers in 2011, 20,159 of those within Latvia.

STRUCTURE OF LATVIJAS DZELZCEĻŠ

THE HEAD COMPANY:

SJSC *Latvijas dzelzceļš* – ensures track maintenance, train traffic coordination, operation of the stations, telecommunications and information services and data transmission services.

SUBSIDIARIES:

<i>LDZ infrastruktūra</i> Ltd.	track construction and major repairs.
<i>LDZ ritošā sastāva serviss</i> Ltd.	repairs, equipment and upgrading of locomotives and carriages.
<i>LDZ apsardze</i> Ltd.	security services for <i>Latvijas dzelzceļš</i> companies and individuals, companies, public organisations, state and local authorities.
<i>LDZ Cargo</i> Ltd.	domestic and international freight transport, loading and unloading, storage, warehousing and international passenger services.
JSC <i>LatRailNet</i>	sets the rail infrastructure charges, distributes the rail infrastructure capacity and takes decisions on assignment of trains by particular carrier.

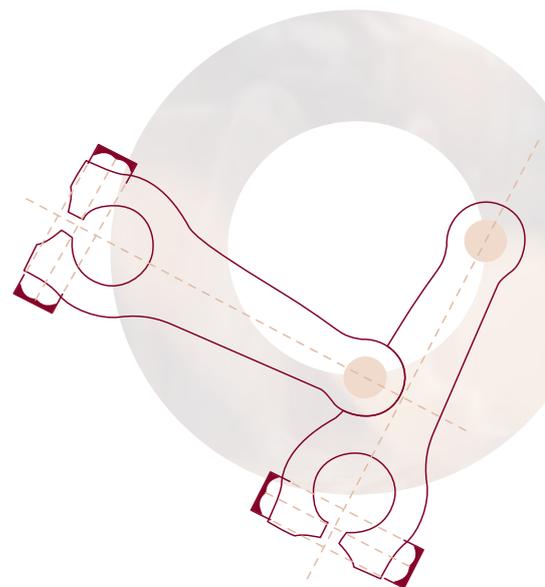
SUBSIDIARY:

<i>LDZ Cargo Loģistika</i> Ltd.	a subsidiary of LDZ Cargo Ltd. – works on organisation of new traffic flows and promotes rail freight services between the European and Asian countries.
---------------------------------	--

KEY STRATEGIC OBJECTIVES

- To ensure rail infrastructure throughput capacity according to medium-term demand (by 2015) of up to 85 million tons per year.
- To ensure competitive rates of rail infrastructure service charges.
- To ensure the level of rail infrastructure services according to the carrier's expectations

By achieving these goals, *Latvijas dzelzceļš* will not only stimulate the Latvian economy, but also contribute to the regional development, that will undoubtedly benefit other European countries as well.



BOARD

Uģis MAGONIS

Chairman of the Board, President
(since 30.08.2008.
appointed to e new term in 29.08.2011.)

Edvīns KOCĀNS

Member of the Board
(from 15.06.2009. till 15.01.2011.)

Armīns KRONBERGS

Member of the Board
(from 06.10.2010. till 12.12.2011.)

Aivars STRAKŠAS

Member of the Board
(since 30.08.2008.
appointed to e new term in 29.08.2011.)

Ēriks ŠMUKSTS

Member of the Board
(since 02.12.2008.
appointed to e new term in 02.12.2011.)

Edvīns BĒRZIŅŠ

Member of the Board
(since 14.01.2011.)



AREAS OF OPERATION OF *LATVIJAS DZELZCEĻŠ*

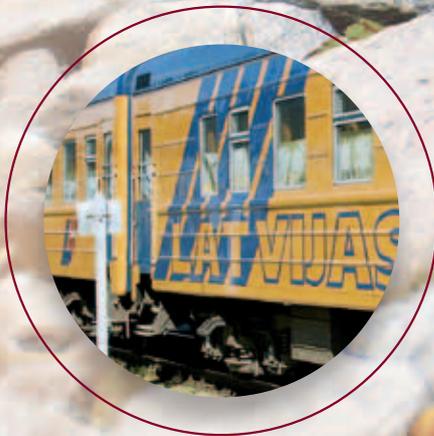


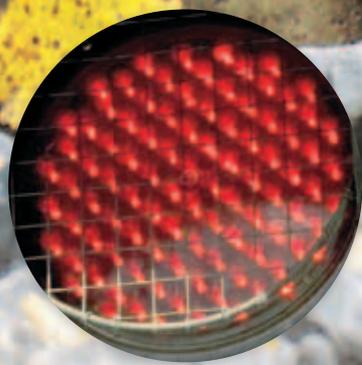
P

E

R

O





INFRASTRUCTURE MANAGEMENT

Freight and increase in freight volume, building of good cooperation and business relationship are the most visible and most widely recognised forms of activity of *Latvijas dzelzceļš*. However the transit backbone of Latvia is not only about increasing the freight volume, but also economic, well-planned and systematic maintenance and renovation of rail-related infrastructure – tracks, rail power, communication and signalling systems and maintenance and efficient management of real estate, carriages and locomotives of *Latvijas dzelzceļš*. Only this way can the company adhere to its mission, vision and values. By setting the infrastructure maintenance as a priority, *Latvijas dzelzceļš* ensures its own development and creates the opportunity to further increase the freight volumes and make a greater contribution to the national economy and prosperity of Latvia in the future.

Latvijas dzelzceļš manages expansive and varied infrastructure including rail tracks, engineering structures, rail traffic management systems, rail telecommunications network, radio communication, power supply and contact lines. *Latvijas dzelzceļš* is in charge of maintaining the infrastructure in a good technical condition, timely repairs and upgrades to ensure uninterrupted and safe train traffic.

RAIL TRACKS

Maintenance of 1884.2 km operational use or 3131.4 km expanded use railways of *Latvijas dzelzceļš* is carried out by a unit of the company: the Railway Division. It is in charge of continuously monitoring the condition of switches and engineering structures, assessment of their compliance with the safety regulations and making decisions about the speed limits on lines. The Railway Division must address the rail infrastructure maintenance issues and carry out works between the major repairs. *LDZ infrastruktūra* Ltd. carries out the planned orders by SJSC *Latvijas dzelzceļš* for extensive repairs, renovation and upgrading of rail sections. *LDZ infrastruktūra* Ltd. also offers its services to companies outside the *Latvijas dzelzceļš* concern in the free market.

BY INVESTING LVL 55,534,391 IN RAIL INFRASTRUCTURE MAINTENANCE AND IMPROVEMENT IN 2011, THE FOLLOWING MEASURES HAVE BEEN CARRIED OUT:

- A type track major repairs – 35 km;
- B type track major repairs – 21 km;
- Replacement of switches – 67 pcs.;
- Repairs of engineering structures (bridges, culverts, etc.) – 21 pcs.;
- Repairs of level crossings – 13 pcs.

LATVIJAS DZELZCEĻŠ

RAIL INFRASTRUCTURE:

By track category:

Category I	– 1958.6 km;
Category II	– 935.9 km;
Category III	– 236.9 km.

By track status:

Main lines	– 2166.4 km;
Station lines	– 810.3 km;
Access lines	– 154.7 km.

The tracks contain 3199 switches, including:

On main lines	– 1156 pcs.;
On station lines	– 1654 pcs.;
On access roads	– 389 pcs.

Engineering structures:

Bridges	– 726 pcs.
Culverts	– 1046 pcs.
Road overpasses	– 22 pcs.

Level crossings

557,
incl. 56 manned ones.

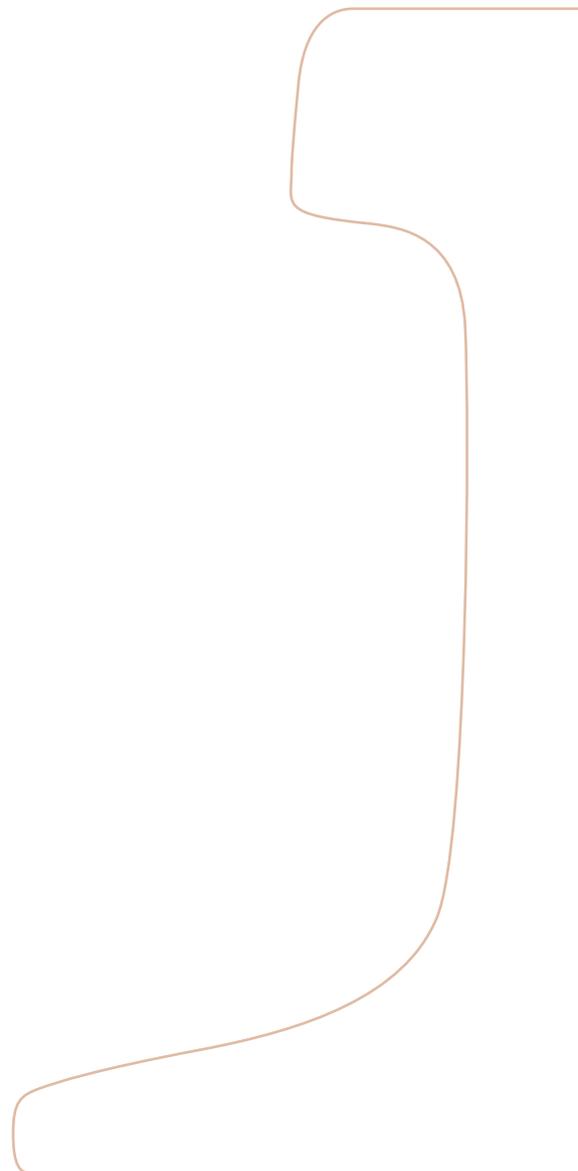
Track major repair frequency depends on the carried freight tonnage (million tons per mile gross) – freight transport intensity in track sections per year. The time between repairs depends on the intensity. For improvement of rail infrastructure technical condition, the damaged rail track structure materials are replaced on a regular basis, UIC-60 E1 type rails are laid, the unusable wooden sleepers are replaced with reinforced concrete ones, switches replaced with new type (including oakwood beams) to ensure the longest possible service life. KOMATSU bulldozers and a dual-drive KOMATSU T160 excavator able to run on tracks have also been purchased. The railcars of the Railway Division have been upgraded to facilitate the track management maintenance. Substantial funds have been invested into the quality and precision of major repairs of tracks and acquirement of machinery (RM-76 and RM-80 aggregate cleaners, Duomatic correction-compaction machine and USP-2005-SW profiler).

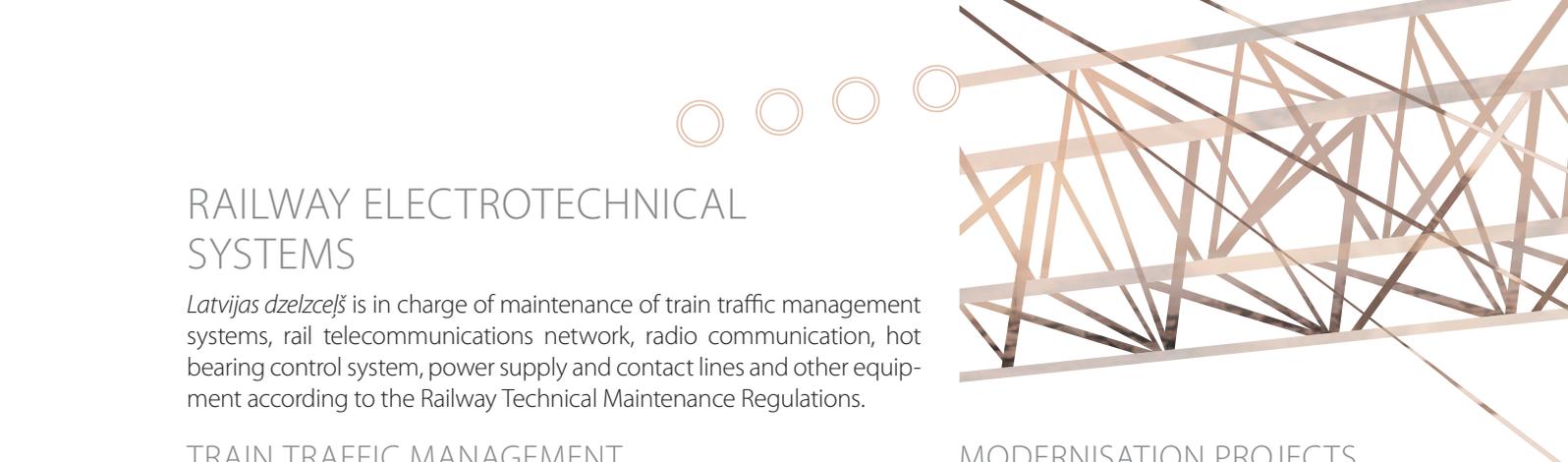
In addition to major track repairs, *LDZ infrastruktūra* Ltd. also specialises rail service machinery repairs. Overhaul of snow cleaning machinery was carried out in 2011. Major repairs of railway cranes, assistance train cranes, track-laying machinery, rebuilding of refrigerator carriages into specialised fire-fighting, renovation or utility trains also takes place on a regular basis. In 2011, LVL 1,383,942 were spent on the maintenance of track-laying machinery and rolling stock.

THE MAJOR RAIL INFRASTRUCTURE IMPROVEMENTS PLANNED FOR 2012:

- Construction of the second railway track in the Skrīveri – Krustpils section.
- Track restoration in the RailBaltic corridor.
- Major repairs of tracks and installation of switches.

To ensure the compatibility of the infrastructure with the increase in freight volume, it has been planned to increase the rail infrastructure capacity to 85 million tons per year over the next three years. The limit of the existing railway capacity – 65 million tons – will most likely be reached already in 2012. The capacity increase will affect the directions of Russia, Belarus and Lithuania.





RAILWAY ELECTROTECHNICAL SYSTEMS

Latvijas dzelzceļš is in charge of maintenance of train traffic management systems, rail telecommunications network, radio communication, hot bearing control system, power supply and contact lines and other equipment according to the Railway Technical Maintenance Regulations.

TRAIN TRAFFIC MANAGEMENT SYSTEM PROJECT

One of the most ambitious projects completed in 2011 and benefiting in terms of rail freight flow monitoring and enabling the traffic coordination optimisation was the microprocessor train traffic management system that joins the Eastern-Western corridor of the country (54 stations between Daugavpils – Indra, Rēzekne-Krustpils, Jelgava and Ventspils) into a sophisticated management network.

Under this project, the technologically outdated relay blocking system installed in the 1960's was replaced with a state-of-the-art microprocessor-based system both improving the train traffic safety and optimising the infrastructure use, overall costs and labour. The task of the system is to automate and therefore facilitate the process of train route arrangement and to enable centralised train traffic management from a central controller centre instead of individual stations.

Replacement of train traffic management system, along with upgrading of signals, switches and level crossings, took place as a part of the project *Modernisation of Train Traffic Management System (Latvian Eastern-Western Rail Corridor)* co-funded by the EU. The project was implemented over seven years (2005 – late 2011) with the support of the EU Cohesion Fund and the Latvian state and *Latvijas dzelzceļš* funding. Total costs – EUR 93 million. Development of the train traffic management system was the first major project in the transport sector by *Latvijas dzelzceļš* supported by the European Union. It was commenced almost simultaneously with Latvian accession to the European Union. In 2012, it has been planned to move the Jelgava traffic control centre to the joint control centre in Riga.

- Close to a million lats are invested every year into the maintenance, repairs and upgrading of railway infrastructure objects

MODERNISATION PROJECTS IN 2011

- Completion of the East – West rail corridor automatic train traffic management systems (In the Rēzekne – Zilupe (state border(section)
- Completion of the East – West rail corridor automatic train traffic management systems upgrades (Daugavpils sector)
- Stage I and II of East-West rail corridor automatic train traffic management systems upgrading (organisation of coding system): Jelgava-Krustpils.
- Completion of Stage I and II of East-West rail corridor automatic train traffic management system upgrading (commutation and installation of electric switch actuators).
- Completion of Stage I and II of East-West rail corridor automatic train traffic management systems upgrading (modernisation of switch heating system in Jelgava).
- Completion of Stage I and II of East-West rail corridor train traffic management systems upgrading (modernisation of power supply equipment)
- SCB, communications and power supply equipment modernisation



POWER SUPPLY

Latvijas dzelzceļš buys 98.9% of the total power consumed in its direct functions from the largest national power supplier JSC *Latvenergo*. The remaining 1.1% are purchased from small power suppliers. The concern required electric power to carry out its direct functions, ensure the operation of subsidiaries and to supply JSC *Pasažieru vilciens* with the power required to carry passengers. *Latvijas dzelzceļš* also has state licences for power distribution and sale, which enables it to provide power services not only for own needs, but also to individuals and companies in direct proximity to the railway – in the *Latvijas dzelzceļš* licence area. For some residents and private companies it is more convenient to have an agreement for power supply with *Latvijas dzelzceļš* than with other power suppliers because their businesses and buildings are located far from other public power grids and due to the high connection costs people have been looking for other solutions. In addition to the railway system, *Latvijas dzelzceļš* serves 5200 individuals and 424 legal entities.

IMPLEMENTATION OF SCADA IN LATVIA

Implementation of SCADA in Latvia is one of the rail power supply upgrade projects. SCADA is the implementation of a sophisticated, computerised power objects management system, which is currently available in a small rail section in the busiest East-West corridor of Latvia. SCADA management system ensuring monitoring, control of station and platform lighting, switch heating and other power objects was launched in 2011 under the project *Modernisation of Train Traffic Management System (Latvian Eastern-Western Rail Corridor)* in the Daugavpils – Kārsava, Ventspils – Tukums – Jelgava – Krustpils and Daugavpils – Indra section. The SCADA system has greatly optimised the detection and correction of power defects and reduced the time required for this work. It has been planned to add new rail sections upgraded and equipped with microprocessor units to the overall power resources monitoring network.

POWER SUPPLY SYSTEM

The computerised train traffic management system has allowed the gradual phasing out of the aerial automatic block lines supplying all rail objects: traffic lights, signalling systems and level crossings. Currently, it is not possible to dispense with aerial automatic block lines in the entire section where the upgraded train traffic management system is operating since 2011 as private objects and companies are connected to the rail grid.

In 2011, 130 km of aerial automatic block lines were rendered unnecessary in a section of the Jelgava – Krustpils line. This solution significantly reduces the maintenance costs and protects the rail objects against power failures or damage, for example, in case of storm and falling trees. It has been planned to dismantle the existing lines in 2012 and select three new sections where such optimisation of the power supply would be feasible.

SELECTION OF BULBS

While in search of the most environmentally friendly, yet the most efficient solution for lighting of rail tracks, platforms, rail parks and other objects, *Latvijas dzelzceļš* carried out a test project in 2011 by equipping the Salaspils station platform with LED bulbs. LED bulbs are the longest serving of the currently available light sources and have the lowest environmental impact among all alternative forms of lighting.

However, the specialists of *Latvijas dzelzceļš* are also looking for other lighting solutions. As a part of Daugavpils Šķīrotava station renovation completed in late 2010, the Soviet-era standard railway structures were replaced with 14-metre high metal masts meeting the European Union standards. The masts were equipped with metal halogen bulbs. These are among the most environmentally friendly, economic and most widely used professional-grade bulbs in the world.

Close to a million lats are invested every year into the maintenance, repairs and upgrading of railway infrastructure objects.

REAL ESTATE

Latvijas dzelzceļš oversees a number of stations, service buildings, roofed areas, smaller buildings and structures, as well as rail defence zones and is in charge of maintenance and improvement of the areas adjacent to the stations and timely repairs. The Real Estate unit of the company is also in charge of lease and sale of premises and buildings. *Latvijas dzelzceļš* owns a total of 3031 objects with the total area of 1,340,969 m². The objective of object management is to increase the efficiency of property management, seeking to reduce maintenance costs by streamlining the management work and optimising the number of employees.

REPAIR AND MODERNISATION WORKS

ORDINARY REPAIRS OF BUILDINGS AND STRUCTURES

112 buildings and structures were repaired in 2011 under the ordinary and unforeseen repairs title-lit. Technical service premises were modernised in 30 stations on the East – West corridor. The repair and modernisation investments amount to approximately LVL 1.9 million.

REGISTRATION OF REAL ESTATE

In 2011, *Latvijas dzelzceļš* continued the surveying of public state rail infrastructure land and summarisation of the survey data, registration of land plots in the Land Register on behalf of the Ministry of Transport, identification of buildings and structures of SJSK *Latvijas dzelzceļš*, development and registration in the Land Register of real estate, organisation of topographic surveying and summarisation of the survey data, maintenance of property tax objects database and administration of property tax.

776 ha of land or 50 land units were surveyed in 2011 and 112 land units with the total area of 2242 ha were registered in the Land Register. 78 titles to buildings have been registered in the Land Register in the name of SJSK *Latvijas dzelzceļš*.

981 ha of topographical data have been surveyed in 2011 and more than 6000 border markers have been set. This data is available both in print and in digital form.

COMMERCIAL ACTIVITY

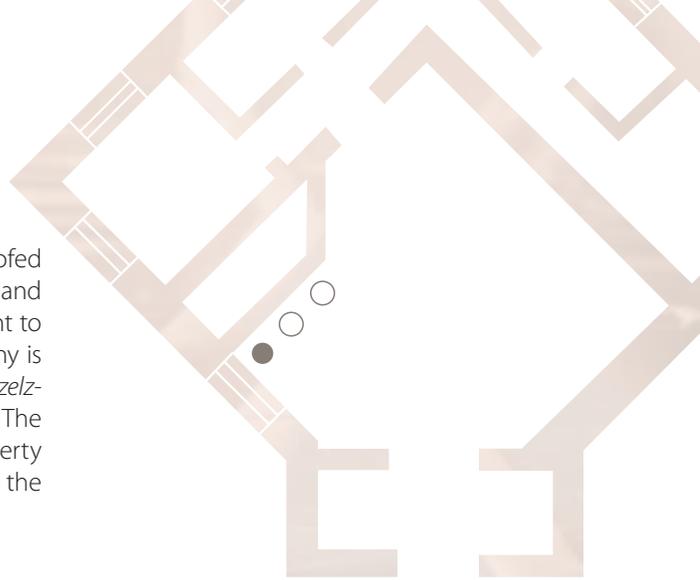
LEASE OF PREMISES AND LAND

A total of 300 lease contracts for premises, land and other fixed assets have been administered in 2011, listing 335 living accommodations with the total floor space of 15.53 thousand m²

The total billed amount for lease of premises, land and other fixed assets is LVL 1,669,410.70.

SALE OF PROPERTY

Two movables sales contracts and one real estate sales contract have been concluded for an amount of LVL 53,400, including a contract on alienation of real estate for LVL 29,000.



THE MOST SIGNIFICANT MAJOR REPAIRS OF BUILDINGS AND STRUCTURES

- Commencement of Šķīrotava carriage detachment repair point area renovation to improve the safety of carriage repairs.
- To prevent crossing of tracks by pedestrians at dangerous locations, fencing off of central Riga passenger station lines and Šķīrotava pars A, B and J continued in 2011.
- The technical project Renovation of Riga Central Passenger Station Public Announcement Infrastructure has been completed and new audiovisual system has been installed.
- Completion of construction of the fire train siding and related access lines in Jelgava commenced in 2010.
- Under the Railway Technical Operation Regulations, four shelters have been purchased and installed at the stations and stopping points where passengers have no access to a waiting room.
- Ventspils railway station building renovation plan has been developed.
- Four production personnel modules have been purchased and installed.
- Repair works have been organised and carried out at 22 object of *LDZ Cargo Ltd*.

31 buildings that were physically or actually obsolete or in a critical condition and not used were demolished in 2011 as part of the rail infrastructure improvements.

KEY INFRASTRUCTURE DEVELOPMENT PROJECTS OF *LATVIJAS DZELZCEĻŠ*

ŠĶIROTAVA STATION

SORTING HILL RENOVATIONS

One of the major railway hubs in Latvia is the Šķīrotava station in Riga where more than 2500 carriages are sorted each day. Most of the trains bound for the key Riga port terminals are formed at the station. However, the process is technologically very outdated, for example, railway staff have to brake the carriages by putting special brake shoes under the wheels. Following the completion of massive construction and information systems' upgrades, the carriage braking will be carried out automatically using technology by Siemens instead of brake shoes. A contract on renovation works was concluded in 2011.

The project cost is LVL 27.3 million, where LVL 16.7 million comes from the European Union Cohesion Fund, LVL 4.8 million from state funding, and LVL 5.8 million from *Latvijas dzelzceļš*. The project should be implemented by 2015.

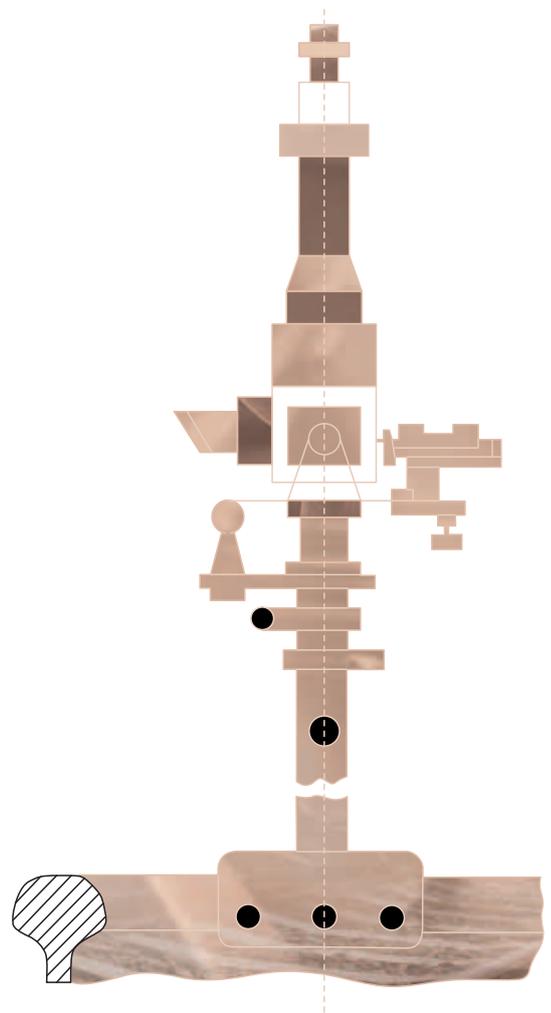
CONSTRUCTION OF THE SECOND TRACK IN THE SKRĪVERI – KRUSTPILS SECTION

One of the most important projects for Latvian railways and ensuring smooth traffic is the construction of the second rail track in the Skrīveri – Krustpils section. This is the busiest rail section in Latvia with insufficient throughput capacity, but very high traffic volume. It is referred to as a bottleneck by the industry.

In 2011 design works, preparation of the area and subgrade were carried out and cables and pipework was laid. The goal of the track construction is to increase the section capacity to ensure smooth, reliable flow of traffic to the port of Riga and efficient freight transit in the East – West corridor. The construction is scheduled to end in 2014. The total project cost is EUR 93,412,308. 70% of funding allocated to the project by the European Union Cohesion Fund, 30% of the costs are covered by *Latvijas dzelzceļš*.

TRACK RENOVATION IN THE *RAILBALTICA* CORRIDOR

Under Stage I of *RailBaltica* renovation, it is planned to renovate 152 km of rail tracks in the Valmiera – Valka, Jelgava – Lithuanian border and Sigulda – Valmiera sections to enable maximum speed of 120 km/h. The project aims to maintain a safe railway infrastructure in the Baltic States and Europe. Railway reconstruction work is scheduled to start in 2012 and end in 2015. *RailBaltica* Stage I renovation costs are LVL 43.5 million. LVL 33.5 million are provided by the state, LVL 10 million from the EU Cohesion Fund and LVL 5 million is the funding by *Latvijas dzelzceļš*.



PLANNED FUTURE INFRASTRUCTURE DEVELOPMENT PROJECTS

RAILWAY ELECTRIFICATION PROJECT

Of total 1884.2 km of track managed by *Latvijas dzelzceļš*, 257.4 km are currently electrified. Electrified railway lines are in Riga and on the routes Riga – Jelgava, Riga – Skulte, Riga – Tukums and Riga – Aizkraukle. In 2011, *Latvijas dzelzceļš* carried out a feasibility study on railway electrification in collaboration with *Cowi*. Possible project development variants were developed. In 2011, the management of *Latvijas dzelzceļš* adopted a conceptual decision to support electrification projects, setting 2012 as the time during which to model the most efficient financial and technical solutions for the preparation of an application for European Union co-financing. The Latvian Minister of Transport A. Ronis has repeatedly emphasized that the electrification of the railway should be chosen to retain the competitive edge of *Latvijas dzelzceļš* among other rail organisations. Railway electrification is an environmentally friendly solution to further reduce harmful emissions (CO₂) into the air. Railway electrification would also increase operating efficiency. With diesel fuel prices rising over the next years and availability reducing, electrification of railway lines may be an economically beneficial and frugal solution.

According to the Energy Sources Plan by the European Commission, the amount of harmful transport emissions must be reduced by 80% by 2050. Railway electrification is a priority, according to which freight and passengers carried for more than 300 km are to be transported by rail and ship transport. By 2050, this figure has to increase by 50%.

The goal of the proposed project is to increase the operation efficiency and rail corridor competitiveness compared to overseas competitors and to substantially reduce the environmental impact. A feasibility study for the project was completed in 2011. In 2012, *Latvijas dzelzceļš* is planning to evaluate the best options for acquiring EUR 549 million (LVL 385.84 million) funding for the rail electrification project. Railway electrification is to be implemented from 2015 until 2022.

CONSTRUCTION OF BOLDERĀJA-2 STATION WITH CONNECTING ROAD TO KRIEVU ISLET TERMINALS

The Riga Development Plan provides for the transfer of port terminals in Riga from the right bank of Daugava to the left, thereby reducing congestion in the city centre and increasing the port capacity. *Latvijas dzelzceļš* has decided to implement a large infrastructure modernisation project – *Construction of Bolderāja-2 Station with Connecting Road to Krievu Islet Terminals*.

The goal of the project is to develop the rail infrastructure of the left bank of Daugava, upgrading and improving the rail equipment unit, as well as the Riga railway hub capacity. The newly created connecting track will bring additional positive impact on the movement of freight in the Zaslauks-Bolderāja section and freight traffic routes in Riga railway hub, create opportunities for further active development

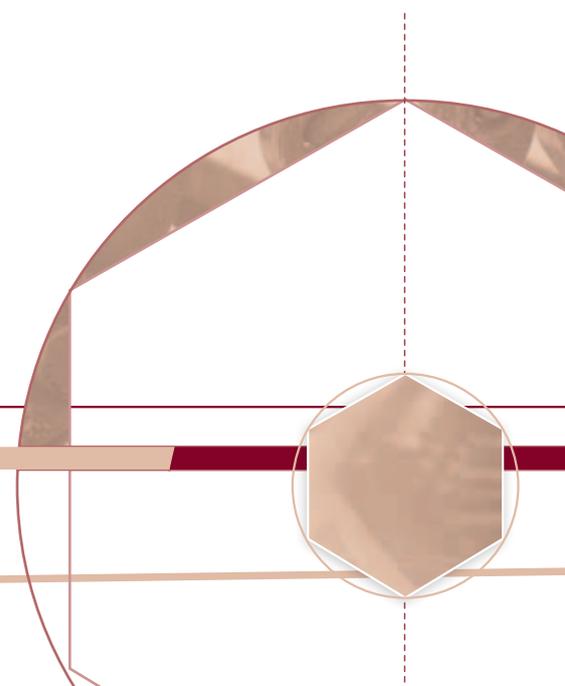
of Krievu Islet infrastructure and ensure improvements to the logistics services of Riga transport hub.

The estimated costs of the project Construction of Bolderāja-2 Station With Connecting Road to Krievu Islet Terminals are LVL 32.075 million. LVL 21 million are covered by the EU Cohesion Fund, while LVL 11.075 million are co-funded by *Latvijas dzelzceļš*.

The project foresees relocating the port terminals to a currently unused area in the northern part of Krievu Islet, which is more suitable for operations. Thus, part of the port's activities would be moved from the city centre and the right bank of Daugava to Krievu Islet balancing the transport volumes on both sides of Daugava. Development of port infrastructure encompasses an area of 56 hectares where four bulk cargo (cola, metal, ores, etc.) handling terminals will be built. The project also includes the construction of all the necessary road and rail links and communications within the port.

Transport flow in Riga and suburban territories will not suffer during the project or after its implementation.

The proposed project is estimated for completion by the end of 2015. It is expected to be realised in two stages. By the end of 2014, it is planned to complete the construction of the connecting rail line to the Krievu Islet terminals and by the end of 2015 to complete the new Bolderāja-2 station.



IMPLEMENTATION OF GSM-R COMMUNICATIONS SYSTEM

Today, each country has its own, different railway communication and management system, which complicates and adds extra cost to international train traffic. According to the European Union system interoperability requirements, any changes in the EU Member States' rail systems must be result in mutually compatible and accessible systems. GSM-R is a new wireless communication system platform for rail networks meeting the above requirements – communication with locomotives is standardised and the train can enter another country without changing the locomotive unit. Railway GSM-R is used for voice communications (emergency calls, traffic controller communications with drivers, etc.) and telemetry (signalling information, rolling stock bearing temperature control, fuel consumption readings transfer, etc.).

Recognising the importance and value of up-to-date railway infrastructure and the opportunity to promote the competitiveness of the company in the railway sector, in 2011 the company initiated the preparation and financial adjustment of project application for European Cohesion Fund to receive funding for implementation of the GSM-R system across the entire Latvian railway system.

USE OF RAIL INFRASTRUCTURE

The task of *Latvijas dzelzceļš* is not only to maintain and invest funds in rail infrastructure, but also set charges for its use and distribute the capacity among the carriers. In order to ensure equal access to the rail infrastructure to both public and private carriers, newly established independent subsidiary of *Latvijas dzelzceļš* was launched in late 2010: JSC *LatRailNet*, which carries out the functions of a rail infrastructure manager according to the Law on Railways:

- making decisions on rail infrastructure use charges;
- setting premium rates for the use of rail infrastructure on busy sections and during busy periods;
- granting economically reasoned discounts for the use of rail infrastructure that encourage optimum usage of the infrastructure capacity;
- distribution of rail infrastructure capacity among carriers based on received applications for transport using the respective infrastructure;
- making decisions on assignment of a train of a particular carrier.

JSC *LatRailNet* is supervised by the State Railway Administration, to which JSC *LatRailNet* submits an Independence Requirement Programme and a report on its implementation on an annual basis.

CHARGES, PREMIUM CHARGES AND DISCOUNTS FOR THE USE OF RAILWAY INFRASTRUCTURE FOR TRANSPORT

Use of public rail infrastructure for rail transport is subject to infrastructure charges that are calculated for different train categories according to the Methodology developed by the Public Utilities Commission and ensure infrastructure charges that are approximated to the costs and meet the following principles:

- the estimated cost base is composed of the current rail infrastructure maintenance and management costs estimated by managing authority, to which amortisation and profit norm (capital investments for infrastructure development) are added;
- cost base with various cost drivers is divided into different train categories;
- each train category is assigned an estimated freight volume according to which the cost base of the respective train category is divided to obtain the charges for the use of rail infrastructure;
- infrastructure charges may be subject to discounts or premium rates according to the charging procedure developed by the Public Utilities Commission.

Until 2011, the infrastructure charge was determined by the Public Utilities Commission, while the charge applicable to shipments in 2012, was set by JSC *LatRailNet*.

RAILWAY INFRASTRUCTURE CAPACITY ALLOCATION AND SPECIFIC CARRIER TRAIN ASSIGNMENT

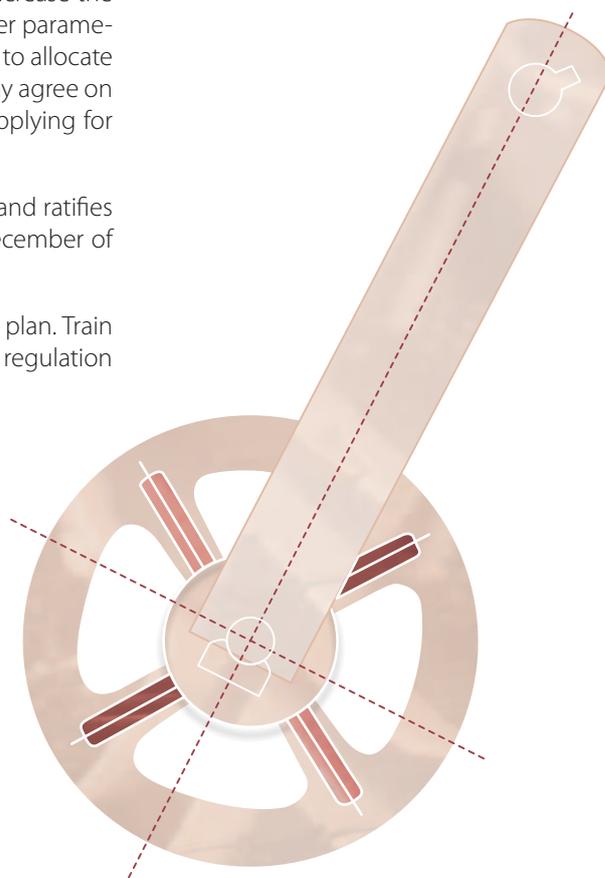
The rail infrastructure capacity must be distributed so that equal conditions and optimum rail infrastructure use principles apply to the rail carriers. In allocation of railway infrastructure capacity priority is given to those rail transport services that are provided on the basis of a state or local authority railway service agreement, i.e. mainly for passenger transport.

The capacity allocation must include the capacity required for the technological requirements of the carrier and the repairs. A number of criteria is taken into account in the capacity allocation process, including previous cooperation, frequency, intensity and duration of rail infrastructure use, as well as the compliance of train technical parameters to the rail infrastructure use efficiency requirements.

Where possible, the carrier is allocated the full capacity requested in the application. If the requested capacity exceeds what is available, the carrier is offered to choose another route or another time for the requested route, to reduce the passenger train travel time by reducing the number of stops or otherwise, reduce the total weight of passenger train or use hauling units with better hauling parameters, increase the total weight of the freight train, use a hauling unit with better parameters or yield up any required capacity. Where it is impossible to allocate the capacity requested in the application, the rail carriers may agree on the requested amount of capacity with other rail carriers applying for capacity in the same section.

JSC *LatRailNet* makes the decision on allocation of capacity and ratifies the annual capacity allocation plan not later than on 15 December of each year.

Train assignment is made under the daily capacity allocation plan. Train assignment includes setting exact train departure times and regulation of carrier locomotive turnover.

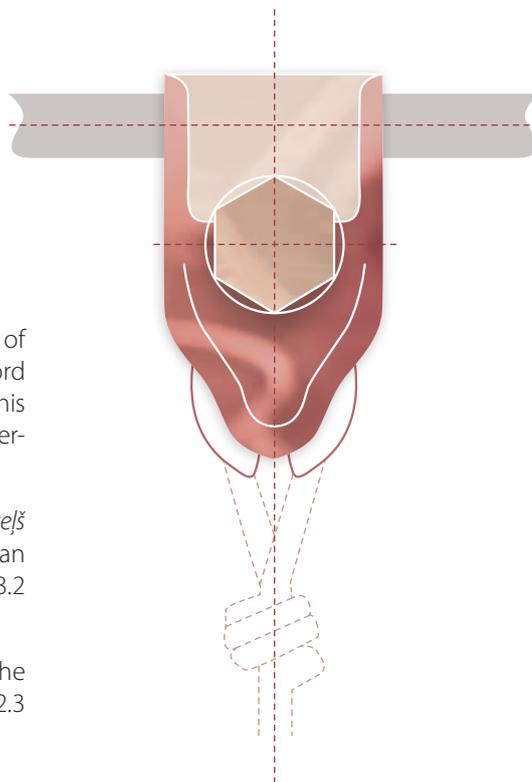


FREIGHT TRANSPORT AND LOGISTICS

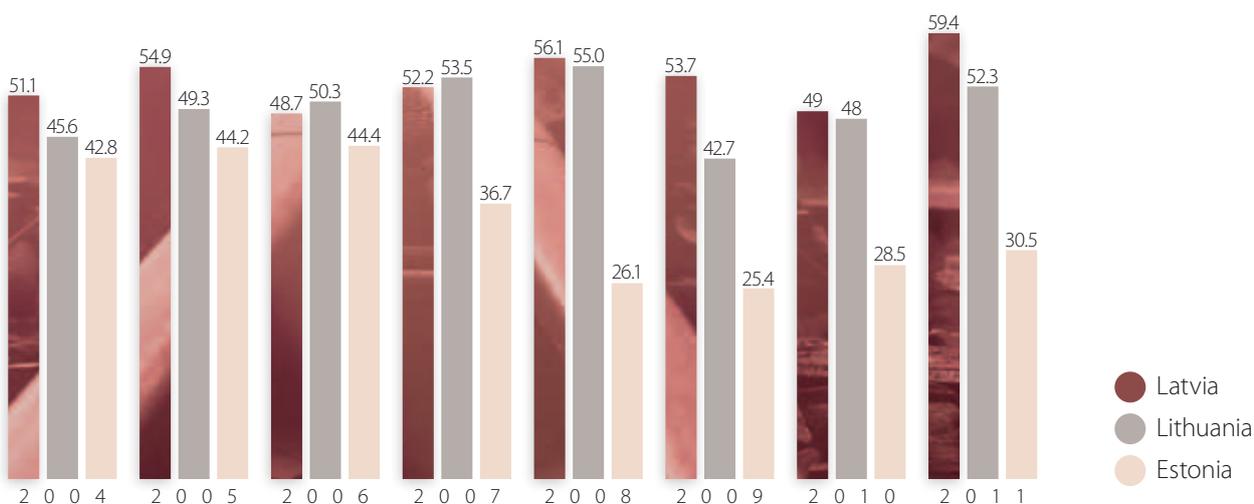
The most important, nationally and internationally significant area of operation of *Latvijas dzelzceļš* is international freight transport. A record amount of freight was carried in 2011 – almost 60 million tons. This ranks Latvia as the fourth busiest rail freight carrier in Europe after Germany, Poland and the Czech Republic.

Measured by track loading (tons carried per track km), *Latvijas dzelzceļš* with 28.1 million ton-km is in the third place behind major European railways – Germany and Poland, where the figures are 84.9 and 28.2 ton-kilometres respectively.

Latvijas dzelzceļš is a long-term leader in freight transport volumes in the Baltic States. The amount of freight carried in Lithuania in 2011 was 52.3 million tons and in Estonia 30.5 million tons.

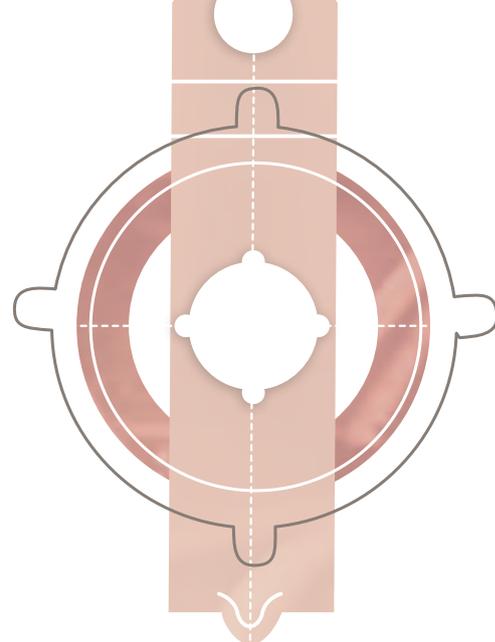


RAIL FREIGHT TRANSPORT IN THE BALTIC COUNTRIES IN 2004-2011 (MILLION TONS)

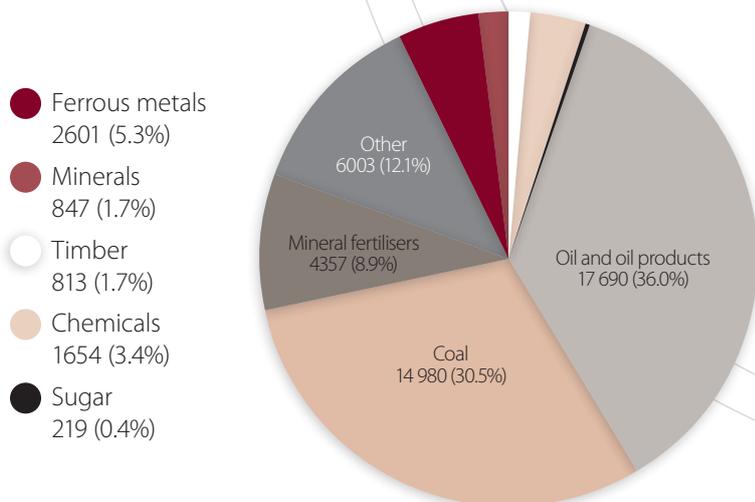


In 2011, the *Dienas business newspaper* has named *SJSC Latvijas dzelzceļš* and its subsidiary *LDZ Cargo Ltd.* as the largest transit and transport companies in Latvia in its annual companies TOP 500. According to the strategic goals of *Latvijas dzelzceļš* and the company mission, this leading position has been achieved with hard, focused and consistent work. An increase of 20% in freight volume was achieved in 2011 compared with 2010. It is a more positive trend than in Europe as a whole, where, according to the consolidated statistics of the Community of European Railway (CER), the average growth of rail freight volume in 2011 was 4%.

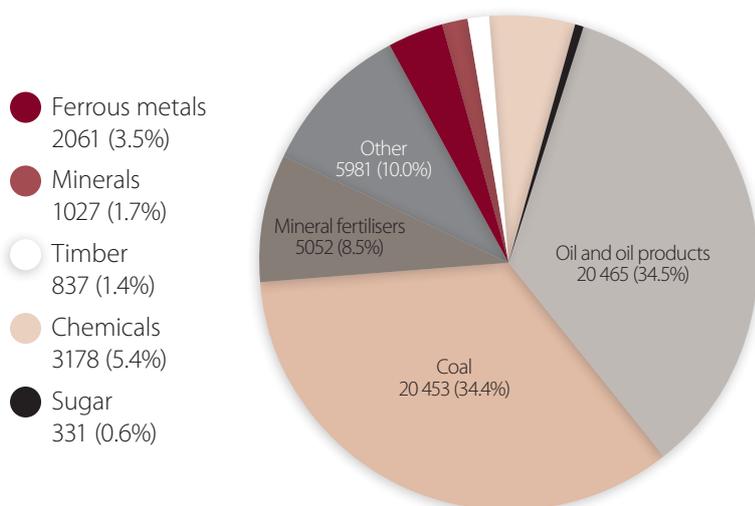
The freight volume growth opportunity for Latvia in 2011 was dictated both by external factors, such as processes in global markets and long-term priorities of global powers, and by meticulously thought-out and well-planned use of the internal company resources. Currently, the track loading in Latvia continues to increase, therefore significant investments into infrastructure maintenance and upgrading is required along with feedback. The priority for 2012 and the subsequent years for the company as well as on national level are investments in infrastructure development.



FREIGHT TRANSPORT BY CARGO TYPES IN 2010, TH. TONS



FREIGHT TRANSPORT BY CARGO TYPES IN 2011, TH. TONS

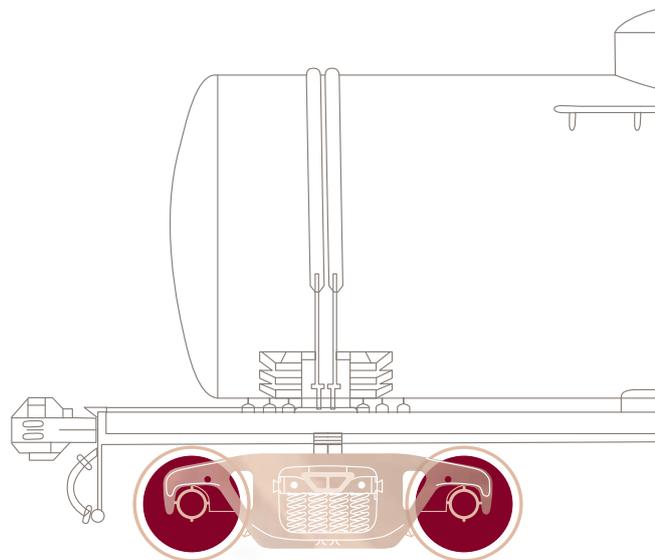
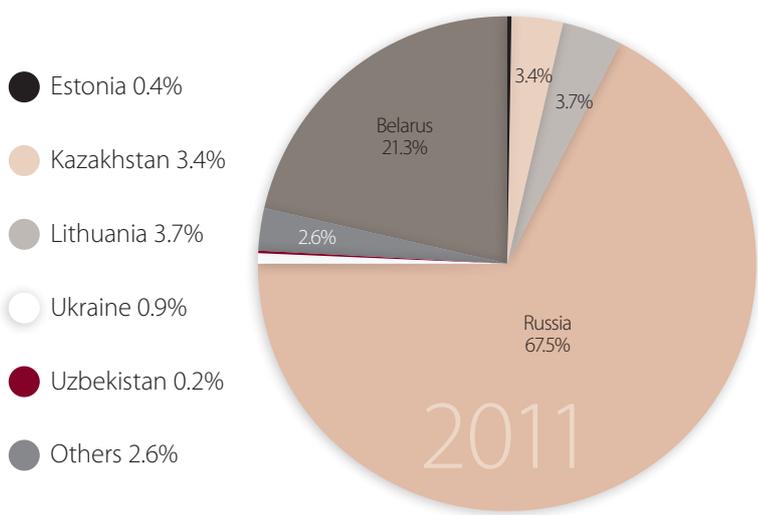
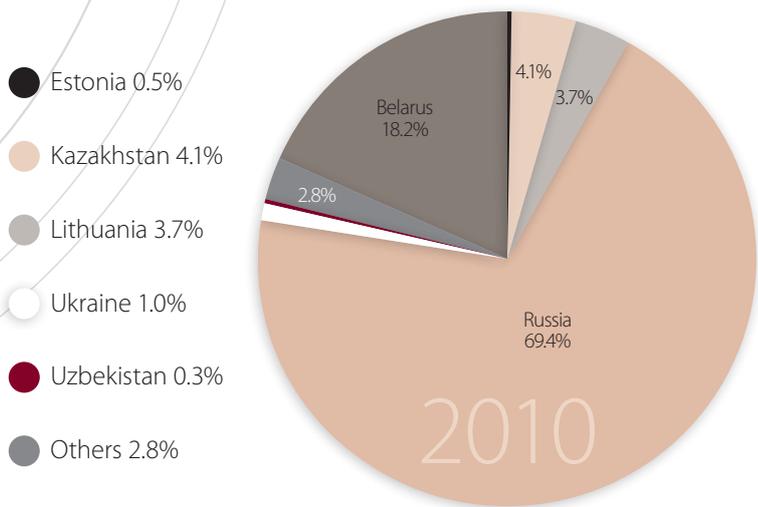


Following the 2011 Japan earthquake and nuclear disaster, the governments of leading powers re-evaluated their power resources and reduced the operation of nuclear power plants turning to processing and use of less dangerous resources such as oil products, oil and coal instead. This resulted in increased volume of these products carried in Europe and, as Latvia has established itself as a proven and reliable partner to CIS and Asian countries and a strategic Eastern corridor transit country, the transit of oil, oil products and coal increased by several hundred thousand tons in 2011. Given the international economic recovery in post-crisis period, 2011 also saw increased volumes of mineral fertilizers and chemicals.

The regulatory and legal rail enactments in Latvia are set forth by the European Union, while most of the strategic cooperation takes place with Russian, Belarus, Ukraine and other Eurasian and Central Asian countries that amount to nearly 95% of the volume of goods carried on Latvian railways. These countries also have the same track gauge as Latvia - 1520 mm.

In freight transport area, *Latvijas dzelzceļš* cooperates with more than 3800 customers representing cargo owners, stevedores and forwarding organisations.

COMPOSITION OF FREIGHT FROM DIFFERENT COUNTRIES IN IMPORT AND LAND TRANSIT ROUTES



In 2011, the State Revenue Service Customs Administration issued to SJSC *Latvijas dzelzceļš* an Approved Business Certificate, which certifies that *Latvijas dzelzceļš* meets the requirements of the European Commission, thus enjoying the highest level of customs confidence, preferential conditions and customs process advantages across the entire European Community.

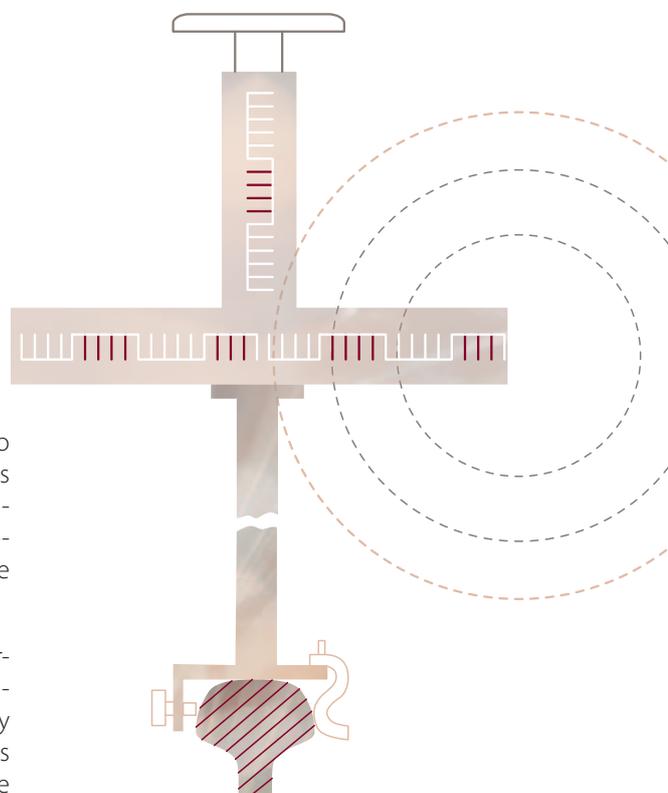
Preparation works for implementation of electronic empty private carriage declaration system in Latvia took place during 2011 in collaboration with Russian Railways. Russia has had a customer portal for many years now and cooperation between rail carriers and businesses takes place in an electronic business-to-business environment. Contracts are concluded and carriages ordered using this method. Latvian entrepreneurs whose activities are related to freight transport are also interested in implementation of the electronic freight declaration system. It is also planned to gradually develop the electronic declaration system and apply it to various types of transport, not just empty carriages.

CONTAINER SERVICES

Taking into account the global transport development trends, the priority of *LDZ Cargo* Ltd. is container traffic. Three container train routes were being operated in 2011: Baltica-Transit provides transportation in the Baltic-Kazakhstan route and Central Asia, Riga Express runs between Riga and Moscow, while the *ZUBR* container train provides service on the route Latvia-Belarus-Ukraine-Black Sea.

The advantage of container train in comparison with other types of transport is the ability to carry and transfer the goods to another vehicle without unloading: from train to ship, truck or plane. Special customs system and friendly tariffs apply to the container train freight. As a result, the container train is a successful alternative to road and sea transport: trains run at a predetermined schedule, do not create congestions on border, avoid road loading and are significantly faster than ships. The objective priorities of container trains motivate *Latvijas dzelzceļš* to further develop this type of transport.

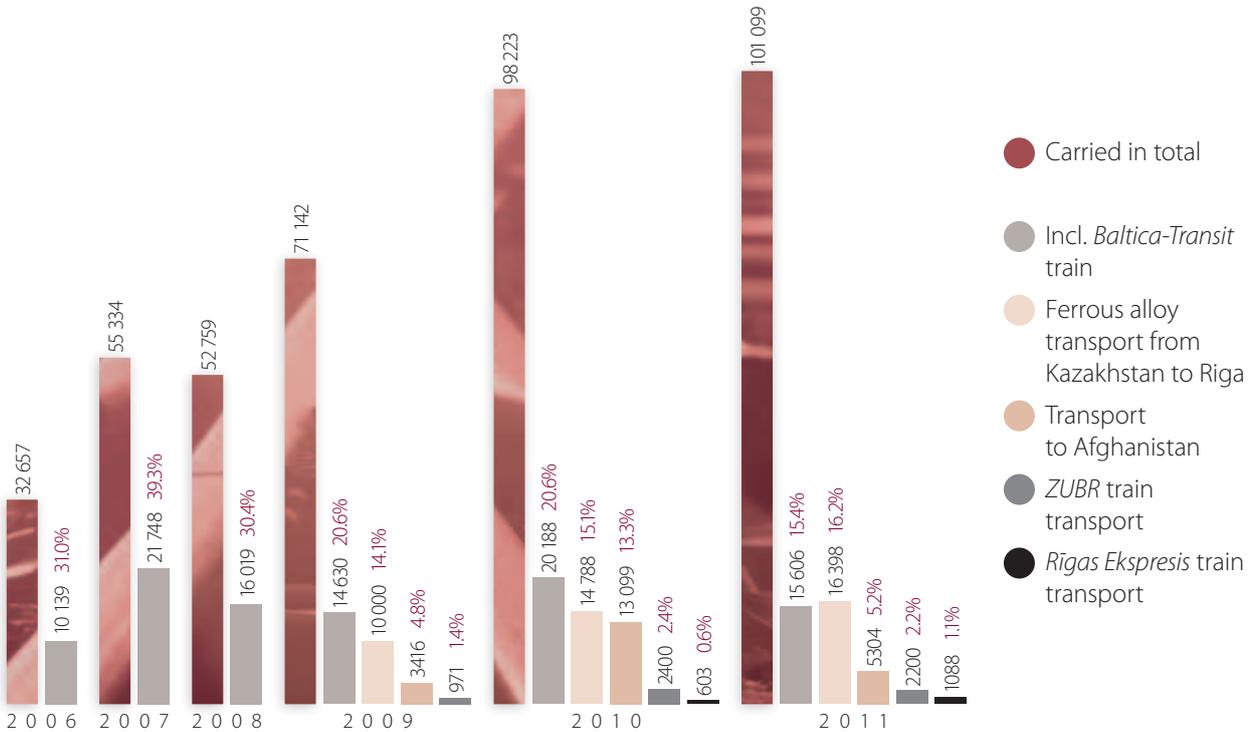
The focus for 2011 was the extension of the capacity of *ZUBR*. Active interest about the *ZUBR* container train jointly operated by Latvia, Belarus and Estonia is currently shown by Turkey and Sweden. Producers and traders from these countries are seeking the most convenient and quickest routes to connect the European Union, Nordic Countries and Middle East. Talks with Turkey are being held on government level and the parties are currently preparing a cooperation plan.



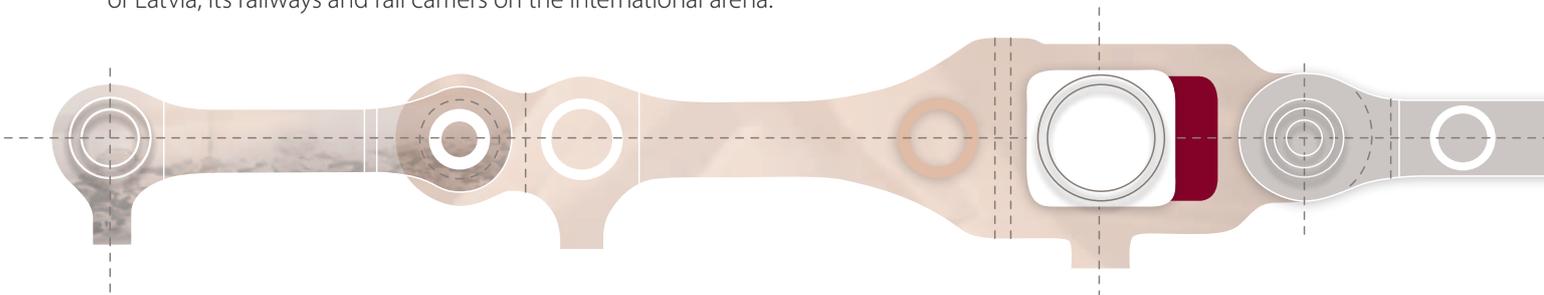
Latvian experts as well as those from the stakeholder countries acknowledge that the *ZUBR* route crossing the territory of Latvia has a potential for development and creation of a convenient and rapid trade route between Scandinavia, European Union and Middle East.

The *ZUBR* container train was established in 2009 and currently connects the Estonian and Latvian ports with Belarus. Cooperation with Ukraine is planned for the near future. This route is used mainly to carry cargoes to and from Belarus. In 2011, cooperation with two Ukrainian ports was established. Since the establishment of *ZUBR* three years ago, the volume of freight has continuously increased. In 2009, *ZUBR* carried 971 TEU containers, 2400 in 2010 and 2200 in 2011. The cargoes have become more varied – from spare parts to equipment and machinery. The operator of the container train in Latvia is the subsidiary of SJSC *Latvijas dzelzceļš* *LDZ Cargo Loģistika* Ltd.

LDZ CONTAINER TRANSPORT,
INCL. *BALTICA-TRANSIT* TRAIN, FERROUS ALLOY
TRANSPORT FROM RIGA TO KAZAKHSTAN,
TRANSPORT TO AFGHANISTAN, *ZUBR*
AND *RĪGAS EKSPRESIS* TRAIN TRANSPORTS
2006 – 2011



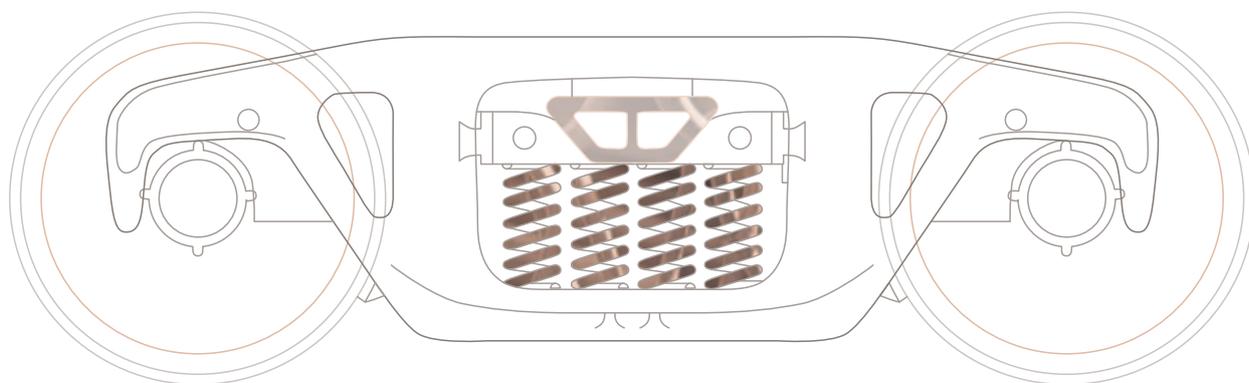
The *Latvijas dzelzceļš* concern also plays an important role in transporting non-military NATO cargoes for the mission in Afghanistan, which is a testament to the quality and security of the company operations. The amount of these cargoes has reduced in 2011 in comparison with 2010, however that is related to the United States policy to evaluate other possible routes for delivering shipments to Afghanistan. It is expected that in 2012 the volume of freight carried by rail through Latvia and its ports will increase as this has been recognised as one of the most perspective and optimal routes. Although the Afghanistan cargoes represent a relatively small portion of the total freight volume, this project has a prestige facet and participation in it promotes the visibility of Latvia, its railways and rail carriers on the international arena.



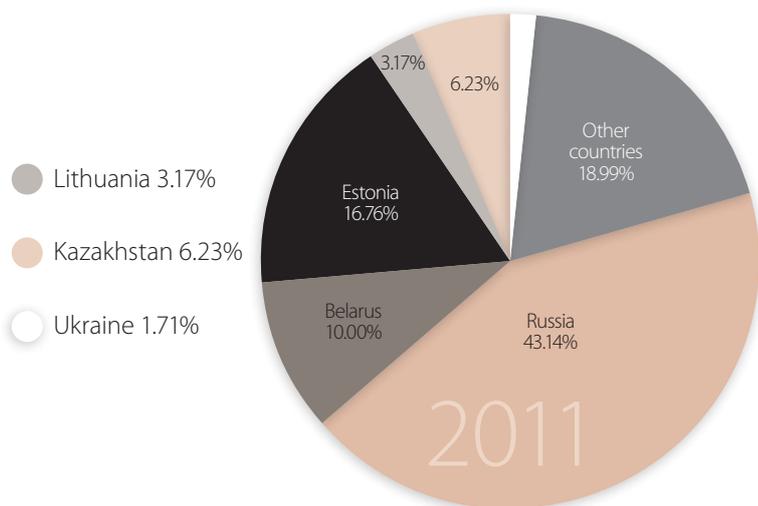
LDZ CARGO LTD.
FREIGHT TRANSPORT FIGURES
IN 2011

TRAFFIC TYPES	FREIGHT TURNOVER (MILLION TON-KM)			FREIGHT TRANSPORT (THOUSANDS T)			AVERAGE DISTANCE (KM)		
	2010.	2011.	%	2010.	2011.	%	2010.	2011.	+, -
TOTAL	13 175	16 551	125,6	49 164	59 385	120,8	268,0	278,7	+10,7
including Domestic	291	296	101,7	1 262	1 193	94,5	230,6	248,1	+17,5
Share	2,2	1,8		2,6	2,0				
EXPORT	1 094	1 783	163,0	3 207	4 932	153,8	341,1	361,5	+20,4
Share	8,3	10,8		6,5	8,3				
including from stations near port	520	1 112	213,8	1 500	2 995	199,7			
Share	3,9	6,7		3,1	5,0				
IMPORTS	10 907	13 270	121,7	40 973	48 438	120,7	266,2	274,0	+7,8
Share	82,8	80,2		83,3	81,6				
including through stations near port	10 142	12 520	123,4	37 556	44 743	119,1			
Share	77,0	75,6		76,4	75,3				
LAND TRANSIT	883	1 202	136,1	3 722	4 822	129,6	237,2	249,3	+12,1
Share	6,7	7,3		7,6	8,1				

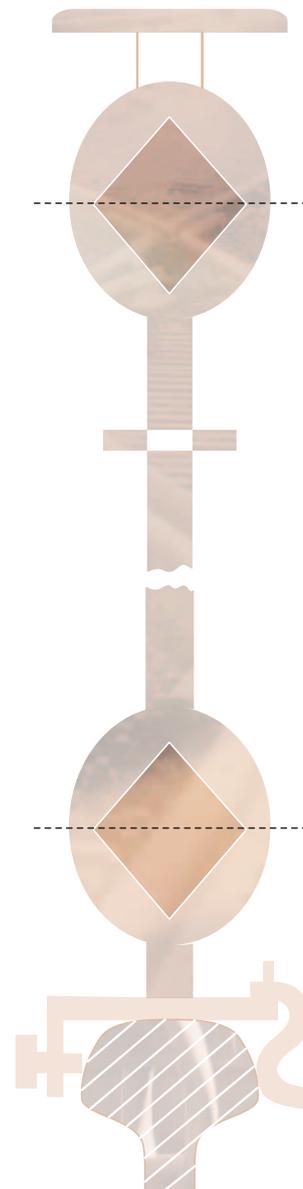
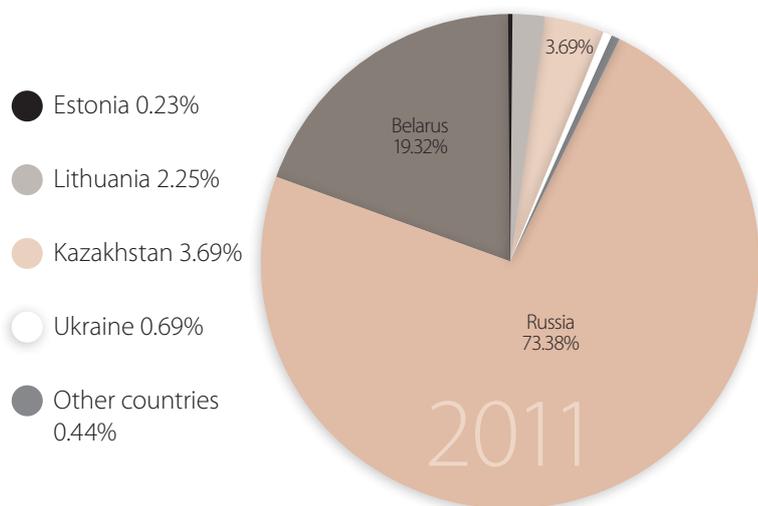
The cargo turnover in 2011 shows increase in almost all positions. The share of import freight in 2011 has increased by 2.6% and amounts to 80.2% of the total freight carried. Export freight share, meanwhile, has increased by 2.5% and amounts to 10.8% of the total.



EXPORT FREIGHT VOLUME PROPORTION
BY DESTINATION COUNTRIES
IN 2011



IMPORT FREIGHT VOLUME PROPORTION
BY DISPATCHING COUNTRIES
IN 2011



COOPERATION WITH LATVIAN PORTS

In 2011, the transport volumes through sea ports increased by 8,682 thousand tons reaching 42,738 thousand tons or 22.2% more than in 2010.

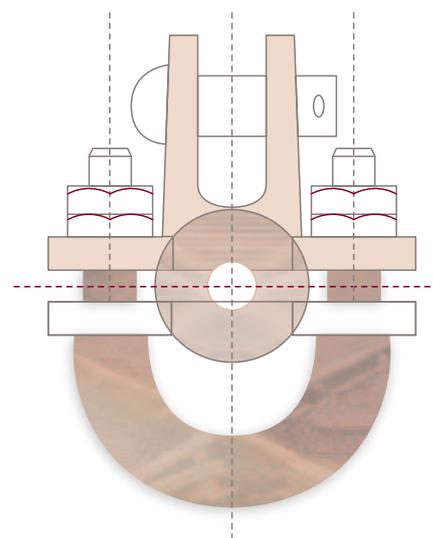
RAIL FREIGHT VOLUME

THROUGH LATVIAN PORTS IN 2007-2011

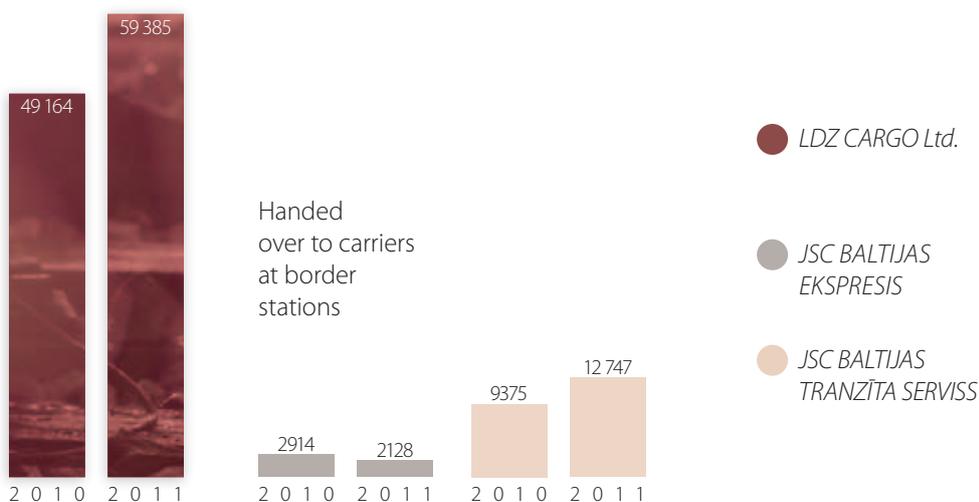
TRANSPORT (THOUS. TONS)	2007.	2008.	2009.	2010.	2011.	2011. % VERSUS	
						2009.	2010.
TOTAL	39 076	43 871	45 117	39 056	47 738	105,8	122,2
including through Ventspils port	18 428	18 578	19 153	15 046	19 933	104,1	132,5
including through Riga port	18 299	22 891	23 771	22 096	25 480	107,2	115,3
including through Liepāja port	2 349	2 402	2 193	1 914	2 325	106,0	121,5

A total of 6,121 thousand tons of cargo were loaded in 2011, which was 37.0% more than in 2010. On average 16.3% more carriages were unloaded per day than in the preceding year. On average, 2,171 carriages per day were unloaded during the year.

The Latvian rail market is one of the most open and liberal in Europe in terms of freight transport. *Latvijas dzelzceļš* does not have a monopoly status in the rail freight transport sector. Three freight carriers are operating in the market: *LDZ Cargo Ltd.*, a subsidiary of LDz, and two private freight operators – *JSC Baltijas Ekspresis* and *JSC Baltijas tranzīta serviss*. The capacity of these companies also increased in 2011: *JSC Baltijas Ekspresis* exceeded 2 million tons of freight and *JSC Baltijas tranzīta serviss* – reaching nearly 13 million tons of carried freight.



FREIGHT CARRIED (TH. TONS)



INTERNATIONAL PASSENGER TRANSPORT

Along with freight transport, *Latvijas dzelzceļš* oversees international passenger services organised by *LDZ Cargo* Ltd. Based on research of international passenger flow intensity and the customer needs, three services are currently offered from Riga: to Saint Petersburg, Moscow and Minsk. The Minsk route was launched on 1 June 2011 in collaboration with Belarusian Railways. From the terminal stop in Minsk the passengers can go to Black Sea resorts: Anapa, Adler, Odessa and various European cities: Berlin, Prague, Kiev and Warsaw. The Moscow and Saint Petersburg destinations also offer wide opportunities to take train eastward or westward towards Europe.

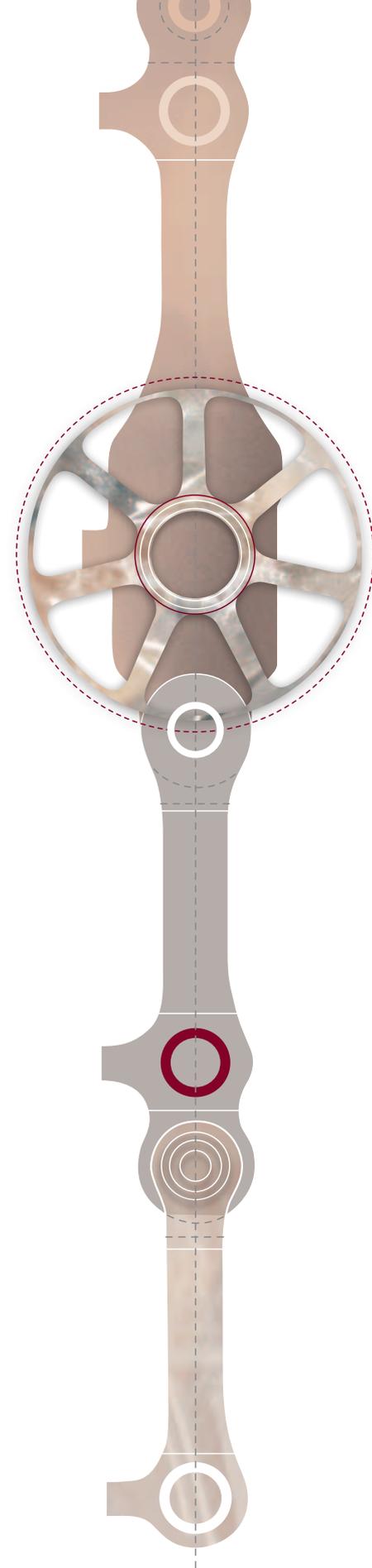
A total of 335,000 passengers were served in 2011. It is slightly less than in 2010 when the number was 338,000. 142,000 passengers left Latvia by train over the past year, 145,000 entered and 48,000 used it as transit.

In 2011, *Latvijas dzelzceļš*, in collaboration with Russian Railways, continued the work on increasing the passenger traffic speed in the Riga-Moscow route to meet the potential demand in 2018 when Russia will host the football World Cup. The idea is to provide an efficient and comfortable night train that would reach destination in approximately 11 hours.

In response to the range of services offered by other railways and major competitors in the transport sector, such as airlines and bus companies, the subsidiary of *Latvijas dzelzceļš* *LDZ Cargo* Ltd., which is in charge of the international passenger services, implemented a number of innovations in 2011: improved ticket booking, additional services and a new interactive website for the travellers. In 2011 passengers were offered to register for international routes electronically.

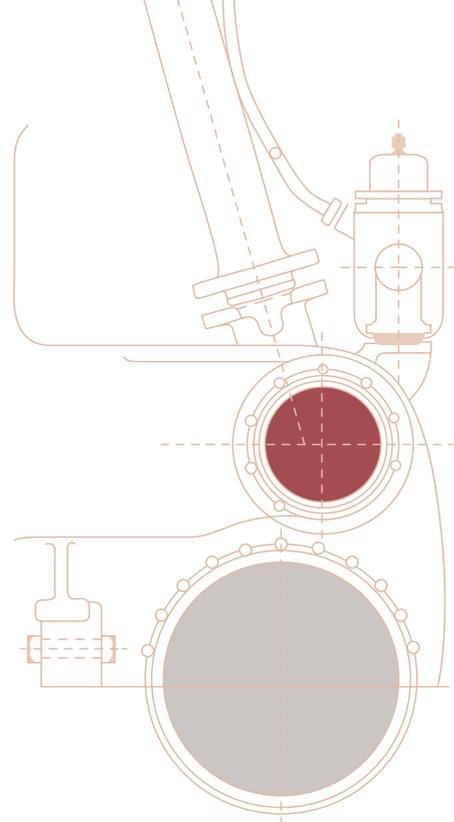
International rail passengers are not only able to buy train tickets online, but also book hotels. In the future, it has been planned to offer a range of services for the convenience of the travellers, such as carriage hire, trip booking, etc. on the <http://travel.ldz.lv/> website.

Since late 2011, the visitors of the new website can buy electronic train tickets and those visiting Latvia can book a hotel. The plans are to increase the range of offers and cities in 2012. Since the launch of electronic system, 15% of tickets sold have been purchased electronically. It is estimated that the proportion of tickets bought in ticket offices and online will change substantially in 2012.



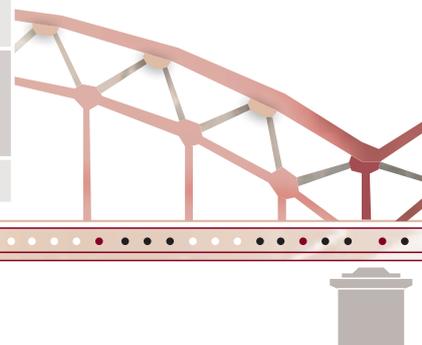
The website created by *LDZ Cargo* Ltd. offers rail passengers information on their destinations – Riga, Minsk, Moscow and Saint Petersburg. Website visitors can learn a brief history of the city, have a virtual tour of the most spectacular places and find information on art, culture and entertainment events. There is also weather information and currency exchange rate. The website also offers comprehensive information about the ways to travel by train: business and standard compartments, reserved seat, about travelling with children and pets.

Domestic passenger services in Latvia are carried out by *JSC Pasažieru vilciens*. Unfortunately, the number of domestic passengers tends to decrease with each year, which may be related to the closure of several non-profitable routes and increasing number of private vehicles. Meanwhile, the number of international rail passengers tends to grow presenting the international train as a competitor to airlines and bus carriers and motivating the provider *LDZ Cargo* Ltd. to seek new solutions and more exciting offers for the new and existing customers.



PASSENGER TRANSPORT VOLUME (TURNOVER) 2009-2011 (MILLION PASSENGER-KM)

PASSENGER TURNOVER	2009.	2010.	2011.	2011. % PRET	
				2009.	2010.
TOTAL	39 076	43 871	45 117	105,8	122,2
INCLUDING <i>JSC PASAŽIERU VILCIENS</i> DOMESTIC TRANSPORT	18 428	18 578	19 153	104,1	132,5
including: electric trains	18 299	22 891	23 771	107,2	115,3
including: diesel trains	2 349	2 402	2 193	106,0	121,5
including: express trains	5	4	5	100,0	125
INTERNATIONAL SERVICES	70	79	79	112,9	100,0
including: number of passengers leaving Latvia	30	35	34	113,3	97,1
including: number of passengers entering Latvia	32	36	37	115,6	102,8
including: Transit	8	8	8	100,0	100,0



ROLLING STOCK

Latvijas dzelzceļš owns a total of 6126 carriages and 209 locomotives.

The Rolling Stock Division of the Technical Management Directorate of *Latvijas dzelzceļš* is in charge of technical maintenance of carriages in trains, uncoupled repairs, major repairs and planning and control of locomotive major repairs. The Technical Department of *LDZ Cargo* Ltd. is in charge of depot repairs of freight carriages and planning and control of locomotive maintenance and current repairs. Maintenance of carriages in trains and uncoupled repairs of freight carriages are carried out by Carriage Technical Service Stations of *Latvijas dzelzceļš*. *LDZ ritošā sastāva serviss* Ltd. carries out the technical maintenance, repairs and upgrades of locomotives and carriages ordered both by *Latvijas dzelzceļš* and *LDZ Cargo* Ltd. *LDZ ritošā sastāva serviss* Ltd. is also in charge of equipping the rolling stock, locomotive hire, tank cleaning, production of non-standard equipment and provision of backup basic services. To enable these functions, there are several Locomotive Repair Centres in Latvia: Daugavpils and Riga with workshops in Rēzekne, Liepāja and Jelgava, a carriage repair centre in Daugavpils and chemical and technical measurement laboratory in Riga with an inspection group in Daugavpils. While current repairs and upgrade works are taking place in repair centres and workshops, the laboratory is tasked with ensuring train traffic safety by high-quality repairs and metrological testing of the maintenance, measurement and control equipment. The chemical and technical testing laboratory of *LDZ ritošā sastāva serviss* has been assigned the National Accreditation Bureau certificate for tank inspection pursuant to LVS EN ISO/IEC 17020.

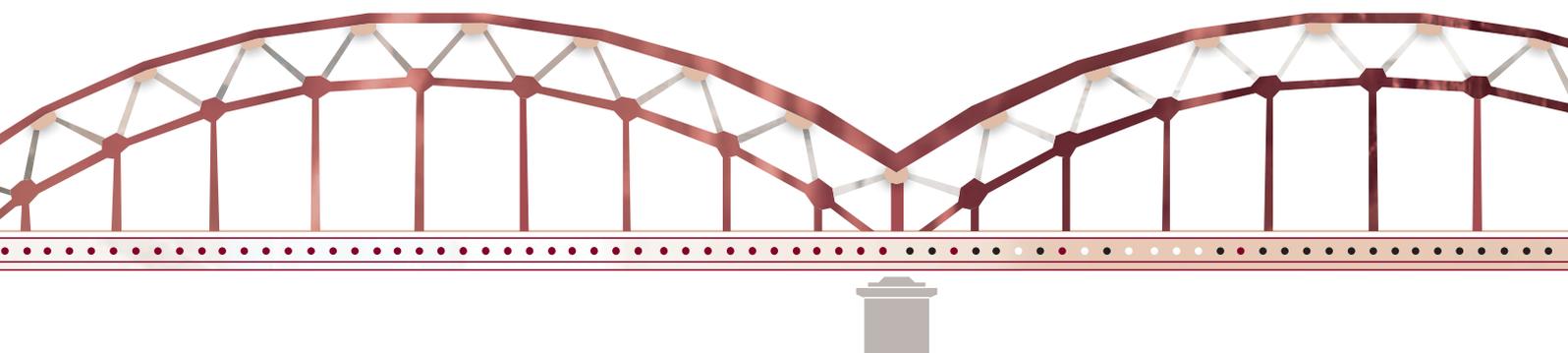
- 100 fitting platforms were purchased in 2011. 300 new carriages (100 covered carriages and 200 fitting platforms) are to be purchased in 2012.

LATVIJAS DZELZCEĻŠ LOCOMOTIVE FLEET

LOCOMOTIVE SERIES	NUMBER
2TE10U, 2TE10M	23
2TE116	6
M62, 2M62, 2M62U, 2M62UC, 2M62UP	103
ČME3, ČME3M	56
TEP70	13
TGM23, TGM23BV	5
TOTAL	2
Locomotive series	1
2TE10U, 2TE10M	209

LATVIJAS DZELZCEĻŠ FREIGHT CARRIAGE FLEET

NAME OF CARRIAGES	NUMBER
Covered	1589
Platforms	74
Semi-carriages	1121
Tanks	1216
Refrigerator carriages	37
Other	2089
TOTAL	6126



UPGRADE OF ČME3 LOCOMOTIVES

The most important rolling stock upgrade project commenced in 2010 was the upgrade of ČME3 locomotives. Upgrade of the first ČME3-4644 locomotive was completed in autumn of 2011 resulting in a virtually new locomotive ČME3M-4644, which works in Šķirotava station in Riga. JSC *Latvijas dzelzceļš* owns a total of 56 ČME3 locomotives. Upgrade of two ČME3 locomotives was commenced in 2011 and another two in 2012. Upgrades of three more locomotives will begin by the end of 2012. A total of 14 locomotives of this type will be upgraded until 2014.

Until now, the ČME3 locomotives were used for manoeuvring tasks, whereas the upgraded locomotives have increased capabilities: they are now suitable for maintenance and collection trains and can replace the outdated single-section M62 locomotives. New American CATERPILLAR engine has increased the power by 62% and experts observing the operation of upgraded ČME3M in Latvia have compared it to M62 locomotives with 2,000 hp engines.

During the ČME3 locomotive upgrade project research and development, there was a choice between upgrading or buying new 'working' locomotives, and upgrading was found to be more reasonable. Market research revealed that there are no manoeuvring locomotives produced in Europe that would meet the requirements of *Latvijas dzelzceļš*. Due to this reason, many countries, including Lithuania, Belarus, Ukraine, the Czech Republic and Slovakia upgrade their ČME3 locomotives instead of buying new ones.

Another argument against purchase of new working locomotives is the maintenance and repair. By rebuilding the upgraded ČME3M, the experts learn their construction, peculiarities and "anatomy" very well, which is very important for repairs and maintenance.

Financial estimates also show that the investments in the upgrading of ČME3 locomotives will be returned within seven years. Upon commissioning of the upgraded locomotives, they are given 30 years of service life.

MAJOR PROJECTS IN 2011

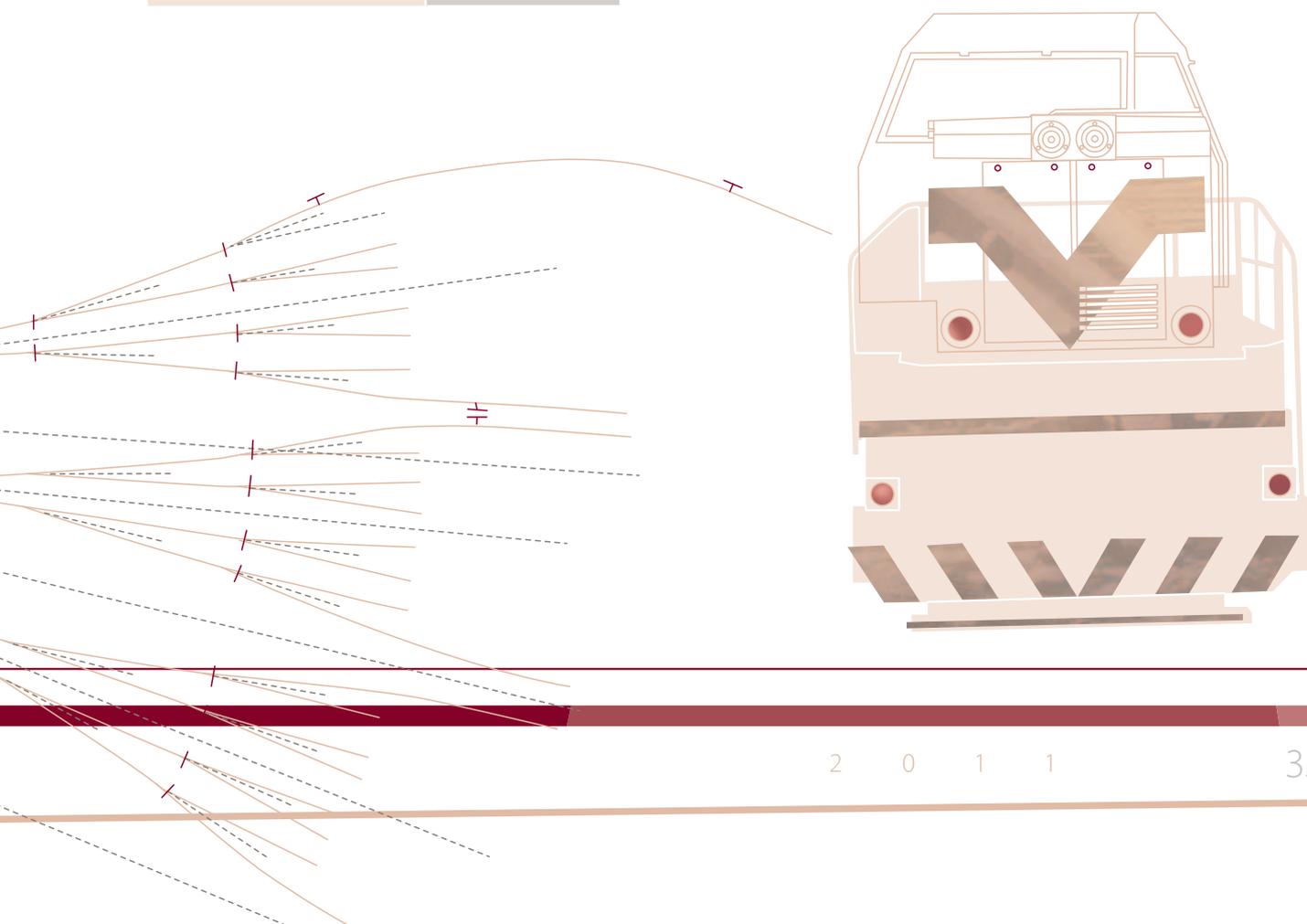
- Upgrade of ČME3 locomotives.
- Upgrade of TGM23 locomotives.
- Purchase of six 2TE116 locomotives.
- Completion of heating supply system renovation project and boiler room in the Rēzekne workshop of the Locomotive Repair Centre.
- Completion of locomotive wheelset repair and element replacement implementation on the basis of RSSV.
- Commissioning of diesel locomotive used oil drainage and main tank blowing area and construction of diesel fuel mixing complex in Riga Department of the Locomotive Repair Centre in early 2011.
- Construction of Carriage Repair Centre Metal Hangar.
- Completion of installation of automatic control for 2 fuel containers at the Daugavpils fuel base of the Locomotive Repair Centre.
- Completion of design works for upgrading of Rēzekne workshop diesel fuel base of the Locomotive Repair Centre.
- Completion of construction of fuel base biofuel and diesel fuel mixing complex at the Riga workshop of the Locomotive Repair Centre.

NUMBER OF LOCOMOTIVE
REPAIR SERVICES PROVIDED IN 2011

	LDZ CD	LDZ CARGO LTD.	LDZ INFRASTRUKTŪRA LTD.	JSC BALTIJAS EKSPRESIS	JSC BALTIJAS TRANŽĪTA SERVISS	ABROAD	TOTAL
SECTION	174	19 801	160	588	2606	6	22 805
LOCOMOTIVES	174	14 543.3	160	296	1303	5	16 482

AMOUNT OF CARRIAGE REPAIRS
AND UPGRADES IN 2011

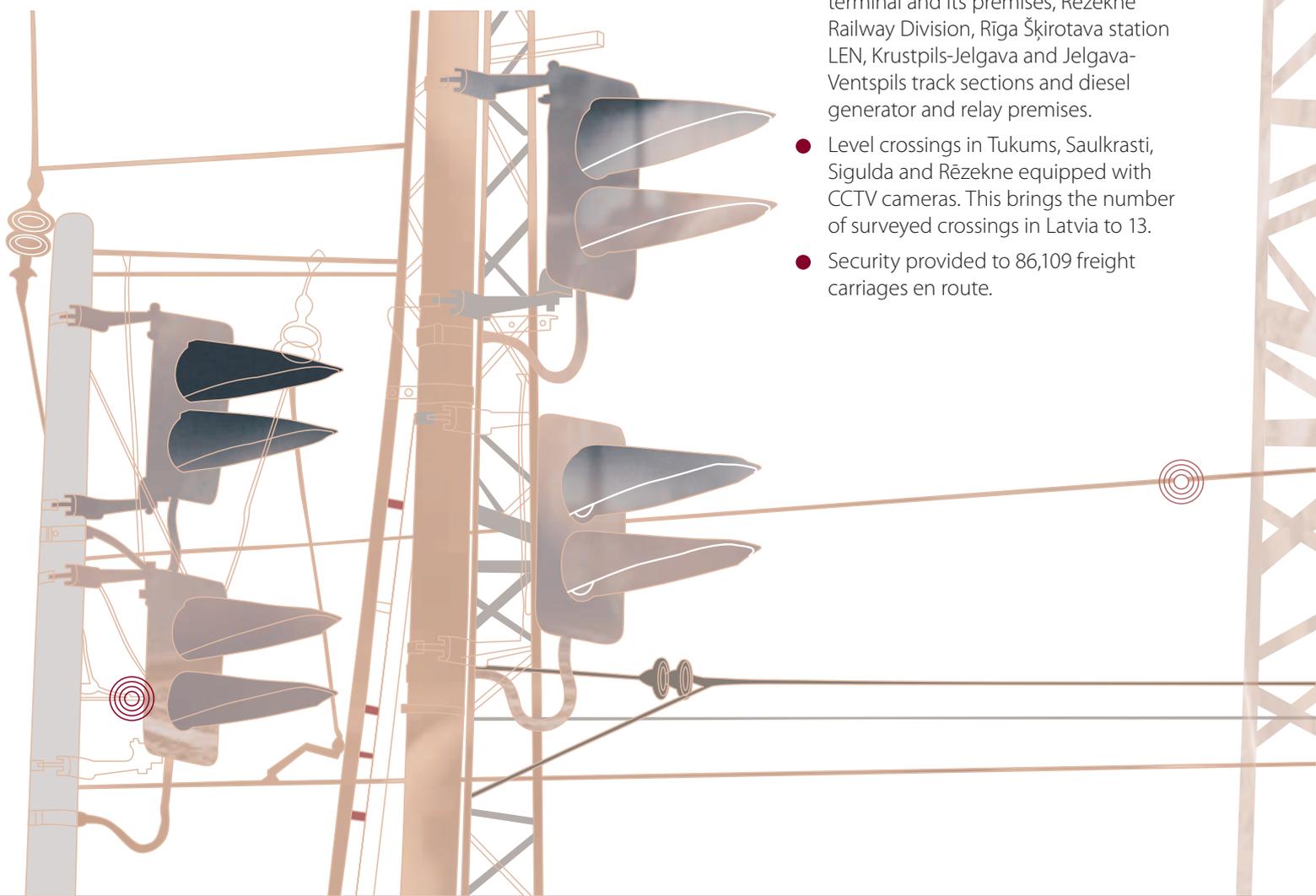
INDICATORS	NUMBER (CARRIAGES)
Freight carriage depot repair (<i>Latvijas dzelzceļš</i>)	2014
Freight carriage major repair (<i>Latvijas dzelzceļš</i>)	82
Carriage repairs for private customers	604
TOTAL	2700



SECURITY SERVICES

A subsidiary *LDZ apsardze* Ltd. has been established to provide security to *Latvijas dzelzceļš*. It is in charge of physical security of objects and cargoes, design, assembly, installation and maintenance of fire alarm and video surveillance system and monitoring of the received fire alarms. *LDZ apsardze* provides these services to *Latvijas dzelzceļš* as well as private and business customers outside the company.

- In 2011, security presence was provided in 62 objects and security by technical means in 644 objects.
- During the reporting year, *LDZ apsardze* has installed security equipment at 100 new objects. The largest of those are the Daugavpils freight terminal and its premises, Rēzekne Railway Division, Rīga Šķirotava station LEN, Krustpils-Jelgava and Jelgava-Ventspils track sections and diesel generator and relay premises.
- Level crossings in Tukums, Saulkrasti, Sigulda and Rēzekne equipped with CCTV cameras. This brings the number of surveyed crossings in Latvia to 13.
- Security provided to 86,109 freight carriages en route.



By expanding its activities and involving new private and business customers outside the company, *LDZ apsardze* is planning to focus on industrial objects security services and expanding the services in regions where fast response groups are based now.

It is also planned to reduce the scope of outsourced services by using the experience of the company and optimising the production processes.

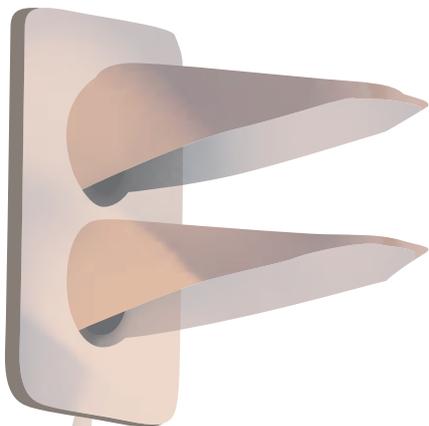
To ensure high quality of services provided to *Latvijas dzelceļš* and to external customers, the company implements a continuous employee training process and focuses on upgrading of technical tools used by employees of *LDZ apsardze* in their daily tasks, such as vehicles, computer equipment and security equipment.

2011 ACHIEVEMENTS:

- 25 persons detained and handed over to police;
- two fires at important rail objects prevented;
- 490 persons present at 10 guarded rail bridges without authorisation sent away;
- more than 100 thefts from guarded objects (rail parks, production premises, freight carried) prevented.

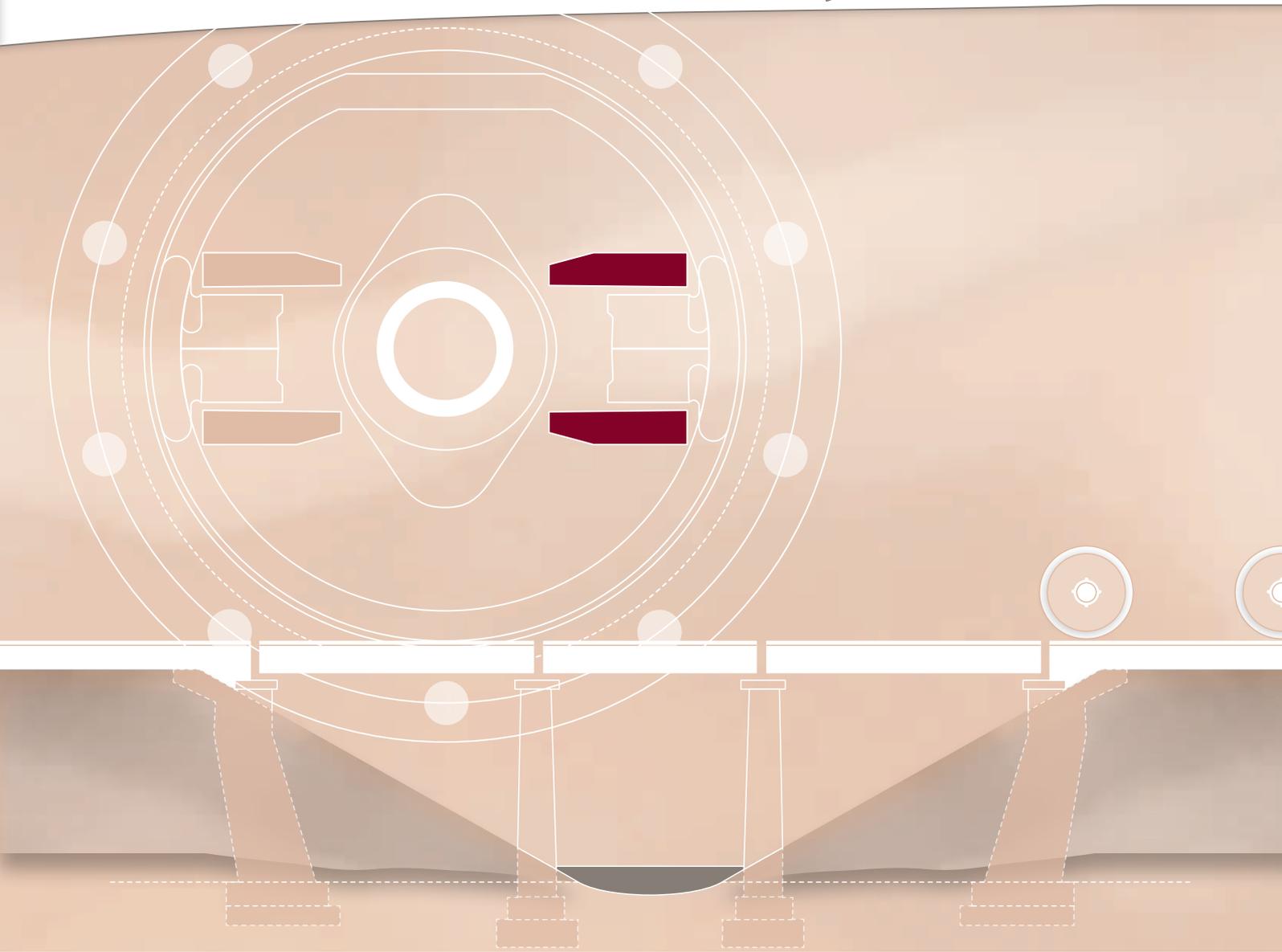
THE MOST COMMON TYPES OF THEFT:

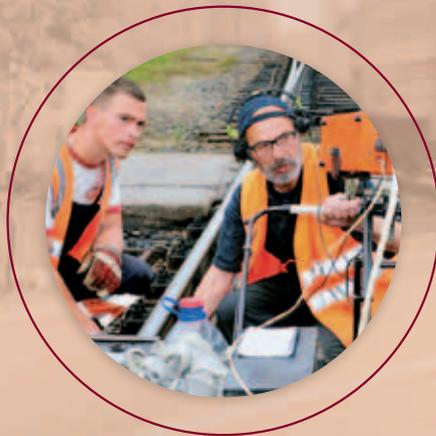
- scrap metal theft and theft of transported oil;
- metal products for stationary objects.





RESPONSIBILITY AND SOCIAL ACTIVITIES OF *LATVIJAS DZELZCEĻŠ*



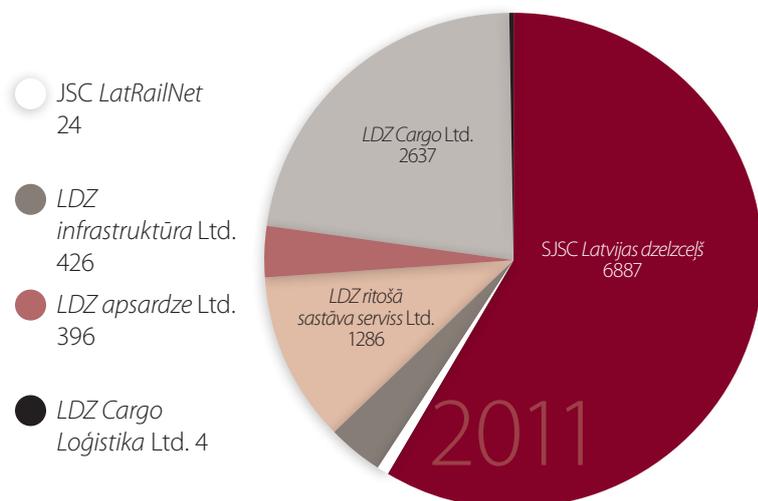




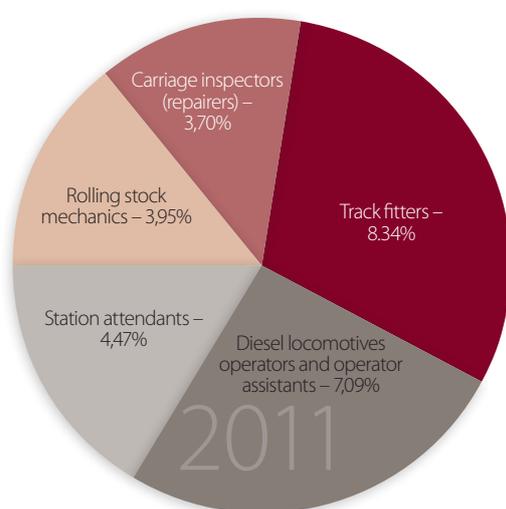
THE WORKFORCE OF LATVIJAS DZELZCEĻŠ

- In 2011, *Latvijas dzelzceļš* employed 11,660 persons in 528 different positions.

NUMBER OF EMPLOYEES OF LATVIJAS DZELZCEĻŠ



THE MOST WIDELY REPRESENTED PROFESSIONS IN LATVIJAS DZELZCEĻŠ

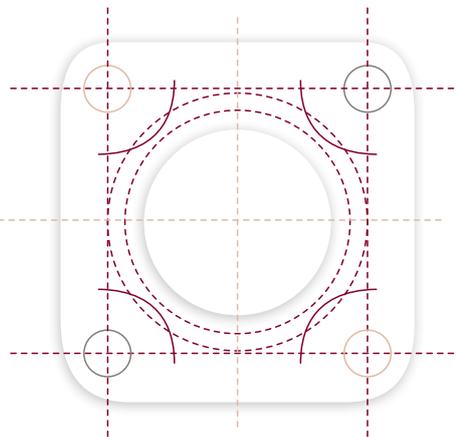


EMPLOYMENT IN RIGA AND REGIONS

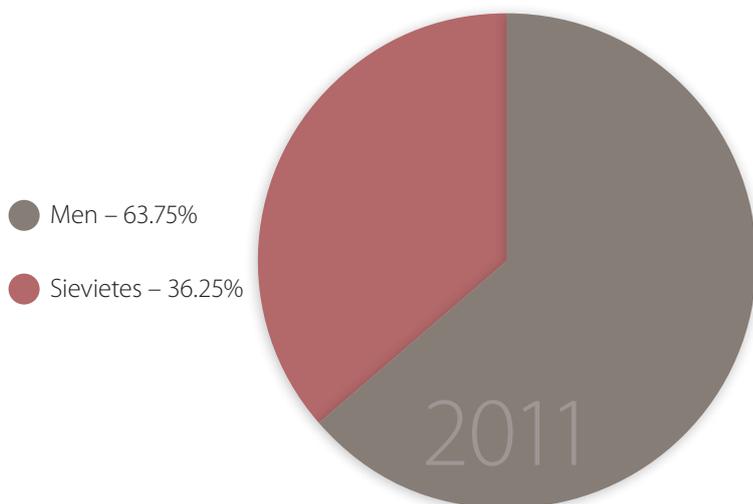
- Vidzeme region – 37% (including Riga region – 34%);
- Latgale region – 37%;
- Zemgale region – 15%;
- Kurzeme region – 11% (Breakdown of employees' residence).

THE AVERAGE AGE OF EMPLOYEES AND AVERAGE LENGTH OF EMPLOYMENT IN THE CONCERN

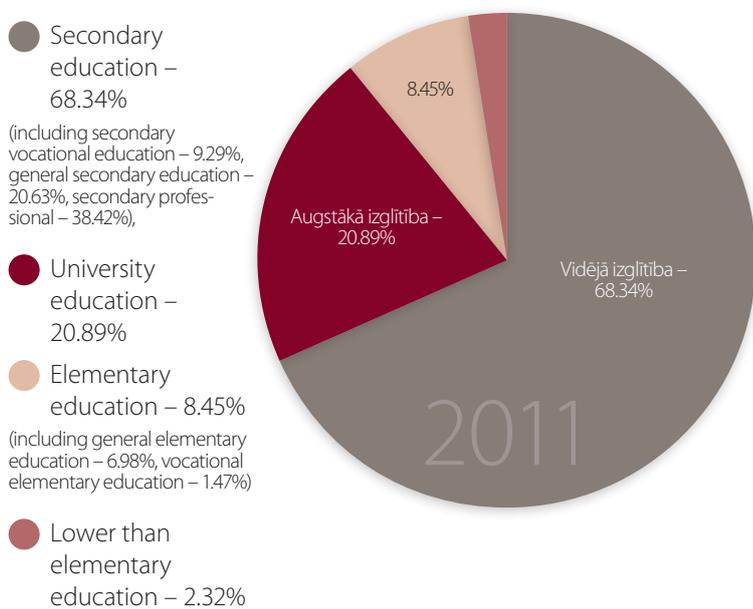
- Average age – 43.85 years
- Average length of employment in the concern – 14.14 years



DISTRIBUTION BY GENDER



EDUCATION



Compared to 2010, the number of employees of *Latvijas dzelzceļš* reduced by 300 in 2011. The reduction is related to retirement of employees and function optimisation, modernisation and centralisation resulting therefrom. The average gross salary meanwhile grew from LVL 637.7 in 2010 to 716.2 in 2011.



SOCIAL RESPONSIBILITY

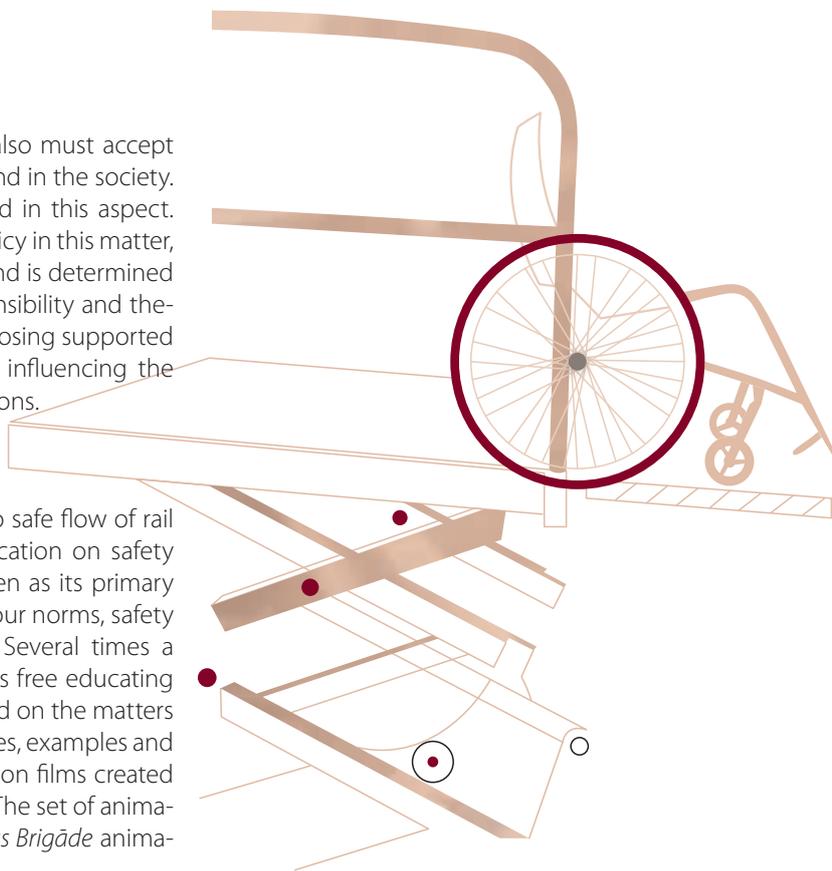
A company that forms the freight transit backbone also must accept social responsibility for the processes in the country and in the society. The description of "State within a state" is well-suited in this aspect. *Latvijas dzelzceļš* is unable to lay down government policy in this matter, but it has developed its own responsible viewpoint and is determined to implement it. *Latvijas dzelzceļš* is aware of its responsibility and therefore carefully plans and maintains a set strategy, choosing supported areas, directions and projects for participation, thus influencing the overall national social responsibility criteria and directions.

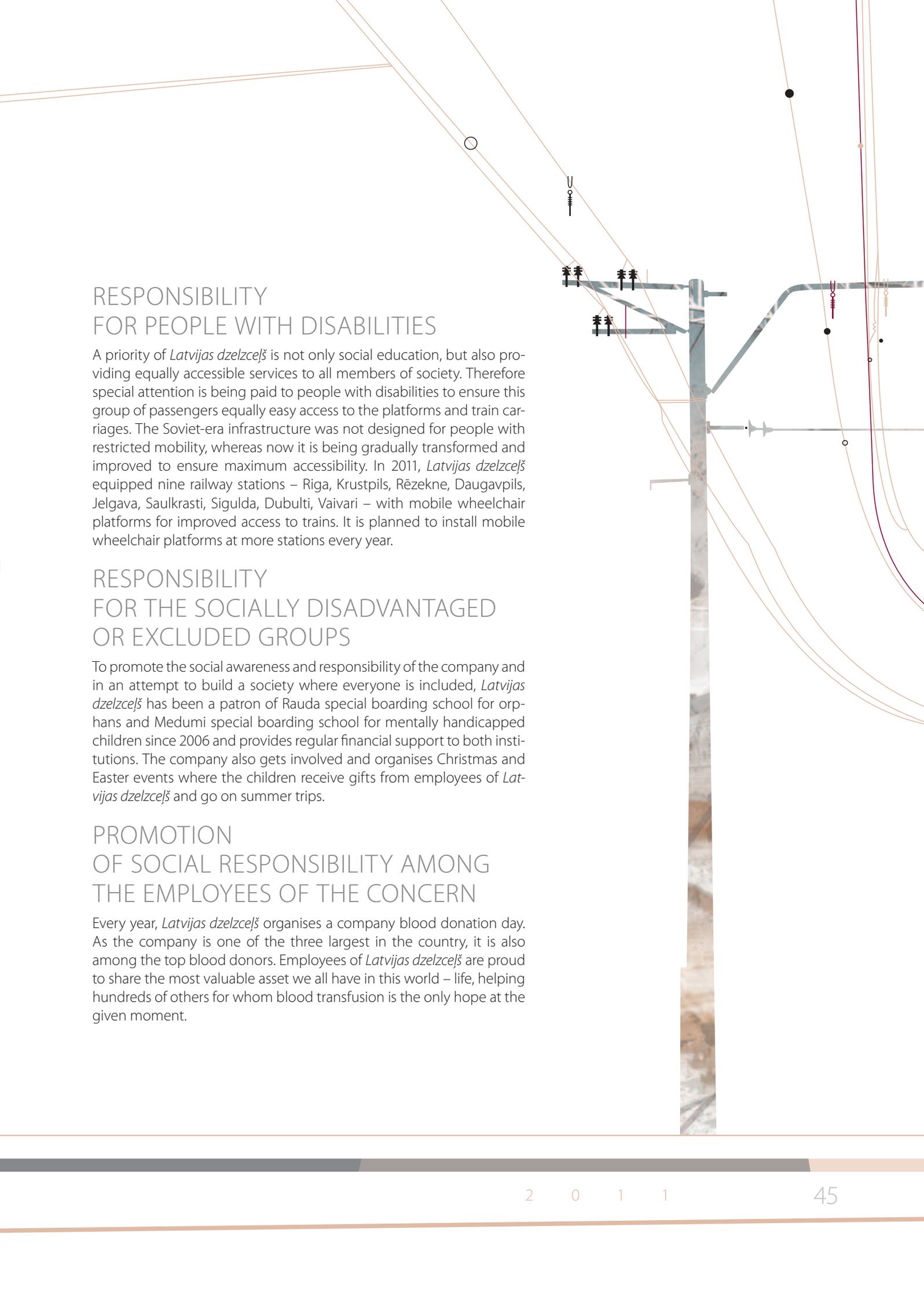
PUBLIC SAFETY EDUCATION

As the primary activity of *Latvijas dzelzceļš* is related to safe flow of rail traffic, special attention is being paid to public education on safety issues. *Latvijas dzelzceļš* has chosen school-age children as its primary audience. This is the age when perceptions of behaviour norms, safety and responsibility for personal actions are formed. Several times a month, the Latvian Railway history museum organises free educating interactive sessions where schoolchildren are educated on the matters of safety near railways. Young people learn from lectures, examples and analysis of real-life situations, as well as clever animation films created for better understanding of specific safety questions. The set of animation films about train safety was created by *Animācijas Brigāde* animation studio.

Several times a year, representatives of *Latvijas dzelzceļš* visit Latvian schools to tell young people about rail safety and raise the overall level of awareness, understanding and knowledge with the purpose of restricting and preventing the likelihood of accidents caused by carelessness or daredevil attitude. As a result of these systematic activities, the number of young people injured in rail accidents continues to reduce. The number of accidents during past year was 14; there were 5 young fatalities under the age of 30.

To address a wider audience and people of all age groups, *Latvijas dzelzceļš* carries out a number of social campaigns. In 2011, the main focus was crossing of level crossings as part of the Safe Level Crossings Day celebrated in Europe and Latvia on 9 June.





RESPONSIBILITY FOR PEOPLE WITH DISABILITIES

A priority of *Latvijas dzelzceļš* is not only social education, but also providing equally accessible services to all members of society. Therefore special attention is being paid to people with disabilities to ensure this group of passengers equally easy access to the platforms and train carriages. The Soviet-era infrastructure was not designed for people with restricted mobility, whereas now it is being gradually transformed and improved to ensure maximum accessibility. In 2011, *Latvijas dzelzceļš* equipped nine railway stations – Riga, Krustpils, Rēzekne, Daugavpils, Jelgava, Saulkrasti, Sigulda, Dubulti, Vaivari – with mobile wheelchair platforms for improved access to trains. It is planned to install mobile wheelchair platforms at more stations every year.

RESPONSIBILITY FOR THE SOCIALLY DISADVANTAGED OR EXCLUDED GROUPS

To promote the social awareness and responsibility of the company and in an attempt to build a society where everyone is included, *Latvijas dzelzceļš* has been a patron of Rauda special boarding school for orphans and Medumi special boarding school for mentally handicapped children since 2006 and provides regular financial support to both institutions. The company also gets involved and organises Christmas and Easter events where the children receive gifts from employees of *Latvijas dzelzceļš* and go on summer trips.

PROMOTION OF SOCIAL RESPONSIBILITY AMONG THE EMPLOYEES OF THE CONCERN

Every year, *Latvijas dzelzceļš* organises a company blood donation day. As the company is one of the three largest in the country, it is also among the top blood donors. Employees of *Latvijas dzelzceļš* are proud to share the most valuable asset we all have in this world – life, helping hundreds of others for whom blood transfusion is the only hope at the given moment.

SOCIAL GUARANTEES FOR EMPLOYEES

Latvijas dzelzceļš is the largest national social security tax payer with over 34 million lats paid into the budget in 2011. The company also grants additional leave days for long-term employees, just like in case of special events such a birth of a child, first school day, marriage or graduation. All employees of the concern have life insurance policies and insurance against accidents at the workplace. Employees are offered the opportunity to purchase health insurance policies for themselves and for family members on preferential terms.

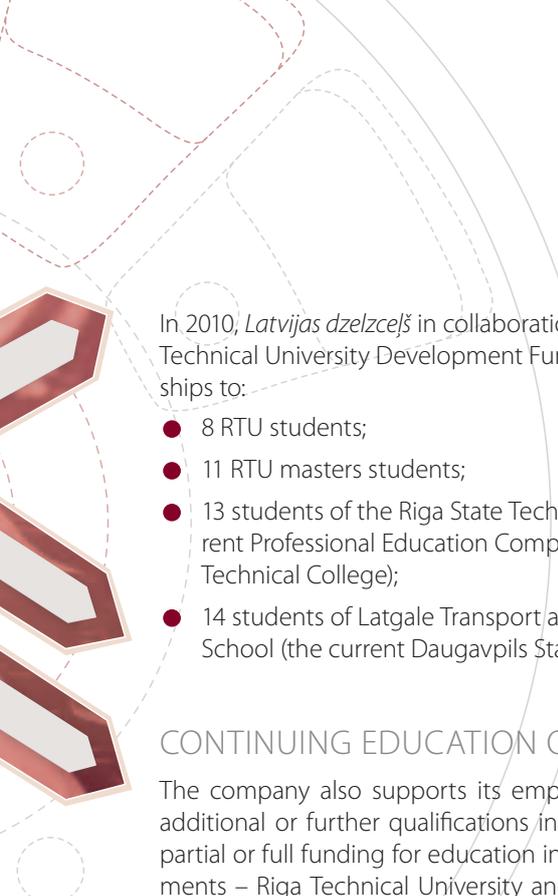
COLLABORATION WITH TRADE UNION OF RAILWAY TRANSPORT OF LATVIA

The railway industry has a traditionally open dialogue between the company and the Trade Union of Railway Transport of Latvia. The general agreement and collective bargaining agreement of *Latvijas dzelzceļš* is generally considered one of the best in the country. In 2010, *Latvijas dzelzceļš* received the Free Trade Union Confederation of Latvia award as one of the best employers in the country and in 2011 the same award went to the subsidiary *LDZ Cargo* Ltd. An achievement of the company for excellent relationships with the employees was the agreement with the Trade Union of Railway Transport of Latvia to extend the existing collective bargaining agreement for the next 5 years. The agreement on employees' wages has been strictly adhered to by evaluating the volume and productivity of the work carried out.

PROMOTION OF HARD SCIENCES: A CONCERN PRIORITY

Being aware that neither business, nor national development is possible without well-planned and purposeful support and investments into the education system, *Latvijas dzelzceļš* supports the rail workers professions. *Latvijas dzelzceļš* has defined the priority areas and professions in the education domain. These are related to a rail sector specialisation. Hard sciences are an unpopular subject in Latvia for several decades already because young people choose to follow a relatively simpler route by focusing on humanities, however *Latvijas dzelzceļš* is aware that national progress and development is impossible without dedication to and knowledge of the hard sciences. This is why every year *Latvijas dzelzceļš* grants funding to the Railway Transport Institute of Riga Technical University to make the studies for young specialists more modern and versatile, thus attracting new students. For example, *Latvijas dzelzceļš* subsidises creation of new laboratories and upgrading of electronic equipment and software. In 2011, *Latvijas dzelzceļš* provided financial support for

the development of two technical equipment prototypes (simulations) that stop a train before a red light using a GSM signal, if the train operator fails to brake on time for any reason. Developers of the equipment – representatives of the RTU Railway Transport Institute hope to create interest in the system among the manufacturers of safety equipment to later offer such systems to railway infrastructure managers. *Latvijas dzelzceļš* grants annual scholarships to students of specialised railway transport schools for bachelor and masters studies. Scholarships are granted on the basis of results of scientific research work competitions.



In 2010, *Latvijas dzelzceļš* in collaboration with the foundation Riga Technical University Development Fund granted incentive scholarships to:

- 8 RTU students;
- 11 RTU masters students;
- 13 students of the Riga State Technical College students (the current Professional Education Competence Centre (PEKC) Riga State Technical College);
- 14 students of Latgale Transport and Communications Technical School (the current Daugavpils State Technical College).

CONTINUING EDUCATION OF THE EMPLOYEES

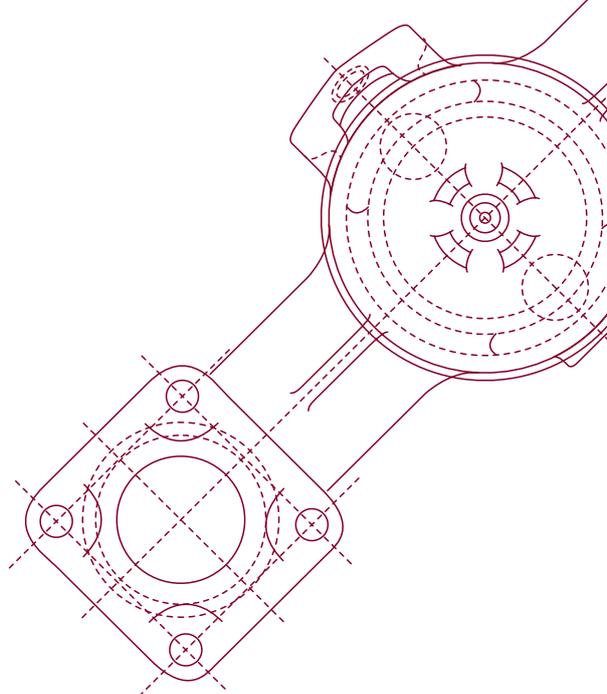
The company also supports its employees in their efforts to obtain additional or further qualifications in the railway sector by providing partial or full funding for education in specialised education establishments – Riga Technical University and two technical colleges: Professional Education Competence Centre Riga State Technical College and Daugavpils State Technical College. In 2011, the company supported further education of 98 employees. 17 employees are currently studying in the Saint Petersburg State Road Transport University in Russia.

JOB SHADOW AND CAREER DAYS

To popularise the railway industry and its professions and to introduce the opportunities to the existing and future students, *Latvijas dzelzceļš* frequently takes part in Job Shadow Days where a number of Latvian companies offer the students to observe the actual daily work activities of employees (representatives of different professions) and gain insight into the sector specifics, the required knowledge and opportunities. *Latvijas dzelzceļš* also takes regular part in the Career Days organised by the Riga Technical University where the hard sciences students have the opportunity to get to know the best and strongest companies in their respective areas and find out more about employment opportunities, while the companies have the opportunity to evaluate and seek for potential sector experts.

OPEN WEEK

In 2011, *Latvijas dzelzceļš* took part in the youth professional orientation project Open Week. It included three trips for students to the company sites: *LDZ Ritošā sastāva serviss* Ltd. Carriage Repair Centre in Daugavpils, *JSC Latvijas dzelzceļš* Riga Operation Centre in the Šķirotava station and the United Traffic Controller Centre. 80 school and university students attended the 2011 Open Week by *Latvijas dzelzceļš*.



Although the rail industry mainly involves experts and professionals of hard sciences, *Latvijas dzelzceļš* is aware of its deeper, wider and more versatile social responsibility, openness and interest, and therefore supports various culture, art, education and sports activities on a regular basis.

GREEN THINKING. CARE FOR THE ENVIRONMENT

The environmental work of *Latvijas dzelzceļš* is not only related to the compliance with the statutory environmental requirements, but also includes responsible actions by reducing the harmful impact of the company on the environment.

DIRECT ACTIVITIES

ONE OF THE MOST ENVIRONMENTALLY FRIENDLY RAILWAYS IN EUROPE –

Latvijas dzelzceļš represents one of the most environmentally friendly types of transportation along with other rail companies. Atmospheric emissions of carbon dioxide (CO₂), which is the main greenhouse effect gas, by rail transport amount to mere 2% of the total transport sector CO₂ emissions, while road and other types of transport account for 98%. (Data of International Transport Forum, Transport Greenhouse Gas Emissions 2010).

Average emissions of carbon dioxide, which is the main greenhouse effect gas, in European passenger transport amount to 41 g per passenger-kilometre. For freight trains this figure is 19 grams of CO₂ per ton-kilometre. The situation in Latvia is much better. The level of CO₂ emissions from transport by *Latvijas dzelzceļš* is almost half the European average – 24 g per passenger-kilometre and 12 g per ton-kilometre, according to the 2009 research of the International Union of Railways (UIC).

In December 2010, CER/UIC prepared a joint document *Towards Sustainable Mobility: a European Strategy for the Rail Sector by 2030 and Further* that approved a new strategy to reduce the environmental impact by the rail sector. By the current results, *Latvijas dzelzceļš* has already exceeded the CO₂ reduction goals by 2030 set by the European Union of Railways.

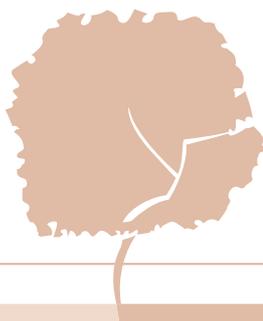
This has been possible thanks to well-planned passenger and freight transport policy which is based on the idea of maximum utilisation of the technical resources – arranging freight transport close to maximum capacity and avoiding half-empty trains. Furthermore, green power produced by the local hydroelectric plants is used for passenger transport to a large extent. New energy-saving solutions are also constantly sought

to help save the power resources and reduce carbon dioxide emissions. Train operators are trained to drive economically and a feasibility study of electrification of the main *Latvijas dzelzceļš* lines was carried out in 2011.

Latvijas dzelzceļš carries out regular monitoring of air and groundwater quality and rehabilitation near the rail tracks. In 2011, just like in the preceding years, the environmental quality indicators did not exceed the marginal pollution values. To protect rail lines from pollution by oil products and other chemicals, areas exposed to the risk of pollution have been equipped with special chemical collection equipment since 2009. An impermeable surface has been installed at Indra border station – in eight diesel locomotive standing bays before exit signals and at Rēzekne-II station in one diesel locomotive standing bay and also in an area intended for parking and reloading of damaged carriages with hazardous goods. Underneath the impermeable surface, there is a drainage system that takes the oil products or other pollutants leaking from the diesel locomotives and damaged carriages together with other impurities and rainwater to a special treatment plant.

NOISE REDUCTION

Noise generated by railways is an important environmental problem in Latvia and elsewhere in the world. Therefore *Latvijas dzelzceļš* is seeking the most efficient solutions to reduce the noise – laying rubber mats on level crossings during major repairs, welding rail joints, grinding rails and switches and taking regular noise measurements at the noisiest locations.



Subsequently the rail noise restriction measures will become more important and efficient as a strategic noise map for Riga-Krustpils line will be prepared in 2012 in accordance with the requirements of European Union Directive 2002/49/EC and a corresponding rail noise restriction plan will be developed on the basis of this map.

HAZARDOUS WASTE MANAGEMENT

Latvijas dzelzceļš pays great attention to the hazardous waste management among other environmental protection measures. An agreement has been concluded with JSC *Zaļais punkts* on management of used packaging, hazardous waste (lubricants, electric batteries and galvanic power sources, all kinds of tyres, oil filters) and all types of electric and electronic equipment waste (IT and power communication equipment, lighting equipment, electric and electronic tools, etc.). Special attention is being paid to hazardous waste (soil, sawdust, sand, paper towels and cloths contaminated with oil products, used transformer oils hydraulic oils, engine oils, polluted adsorbents, luminescent lamps, etc.). Special agreements are being concluded for these types of waste with specialised waste management enterprises holding a relevant licence from the State Environmental Service.

ENERGY EFFICIENCY PRINCIPLES

Particular attention is also paid to energy-efficient solutions – building insulation, roof repairs and window replacement, boiler and heating system upgrades and switching to cleaner fuels – from oil and coal to natural gas.

Latvijas dzelzceļš takes part in the Environment, Energy and Sustainability Forum by the International Union of Railways (UIC) and the task force created under its auspices addressing the issues of sustainable land use.

OFFICE ENVIRONMENT

Latvijas dzelzceļš implements an environmentally friendly policy in its daily activities: not only on the railways, but also in the office. The company recycles the used paper in collaboration with Līgatne paper mill. Waste paper collection boxes are located on the premises of *Latvijas dzelzceļš*, the contents of which are handed over for recycling on a regular basis. Used batteries are collected and disposed of in the same manner. Such method is being gradually introduced to all units and subsidiaries of *Latvijas dzelzceļš*.

OUTDOORS – IN NATURE

Demonstrating their concern for the environment and green thinking, employees of *Latvijas dzelzceļš* always take part in the annual Latvian Great Spring Cleanup – cleaning up railway territories, areas adjacent to tracks, train stations and workshops. In addition to the cleanup, the employees also continue the tree planting tradition initiated in the 1930's. In 2011 young trees were planted at the Imanta station.



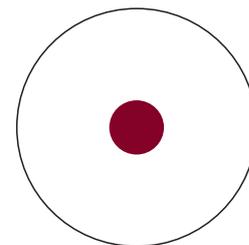


TRAFFIC SAFETY

One of the most important priorities of *Latvijas dzelzceļš* is the safety of rail traffic. It is an essential component of freight and passenger turnover and in interaction with other traffic participants. *Latvijas dzelzceļš* assumes responsibility for the safety towards the Latvian population. There are areas where *Latvijas dzelzceļš* addresses people – pedestrians and drivers – to observe traffic regulations and the Railway Law and avoid causing rail accidents, and there are some areas, such as maintenance of infrastructure and rolling stock, employee training and high expertise, where the responsibility for safety rests fully on the company. This is why *Latvijas dzelzceļš* uses a reliable and tested monitoring and prevention system that has been developed over decades and is continuously being updated and concerns all aspects of railway operation.

TRAFFIC ACCIDENTS

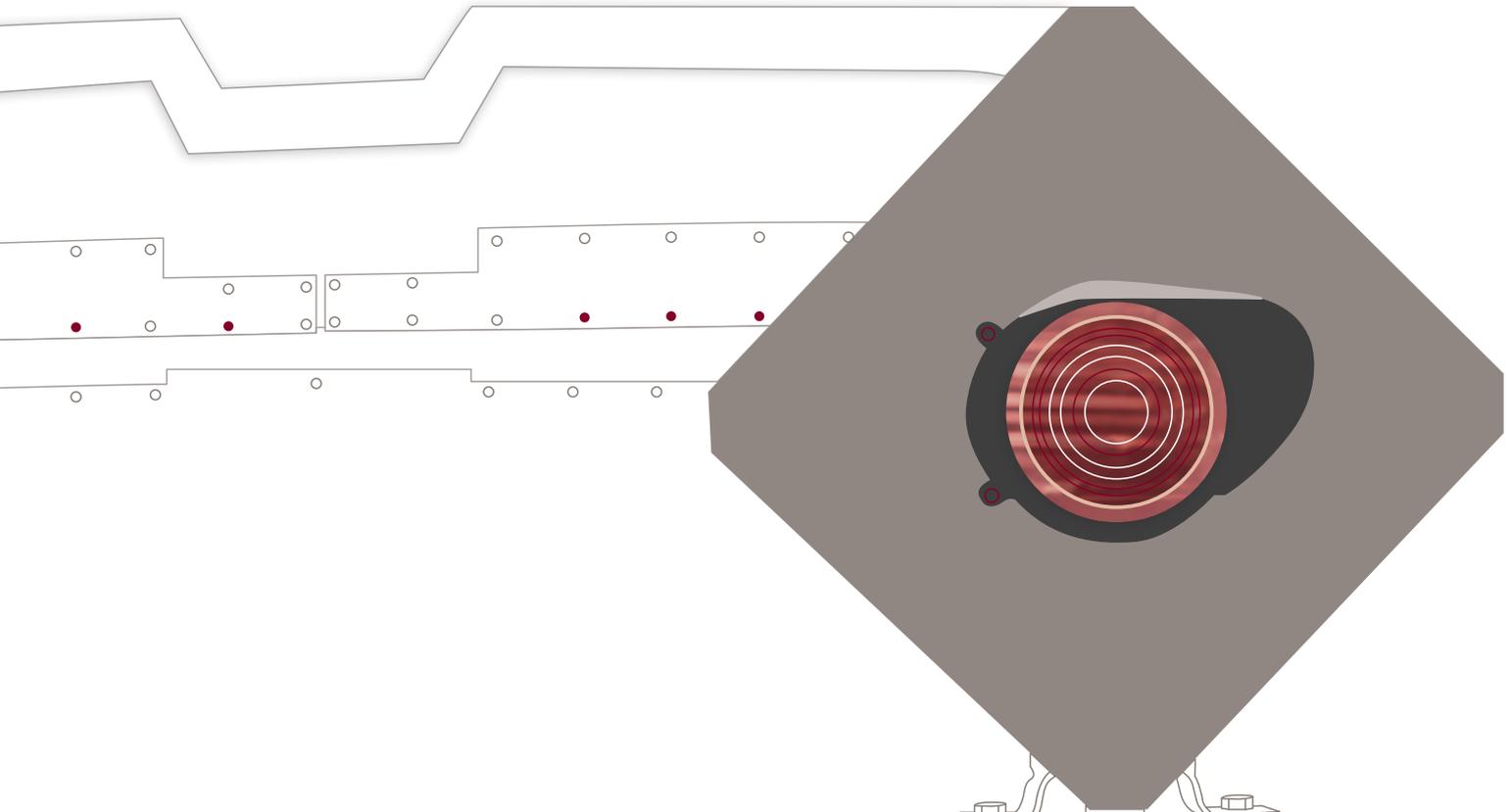
Although the number of rail accidents with injuries is small in comparison with road traffic and keeps reducing with each year, the aim of *Latvijas dzelzceļš* is to reduce such accidents to a minimum. Experts of *Latvijas dzelzceļš* analyse the accident dynamics and trends, try to understand the accident causes and seek the optimal solutions for prevention and restriction thereof. Lethal accidents involving trains take place 70 times less often than those involving cars, according to a study by the German Rail Union (Allianz pro Schiene). However, Latvian pedestrians and drivers tend to act recklessly. During the past year, there were 25 injuries and 20 fatalities in rail accidents in Latvia. 85 times the train operators managed to stop the train before it hits a pedestrian or a vehicle in its way. For comparison, the number of injuries and fatalities in car-related accidents is 4,224 and 179 respectively.



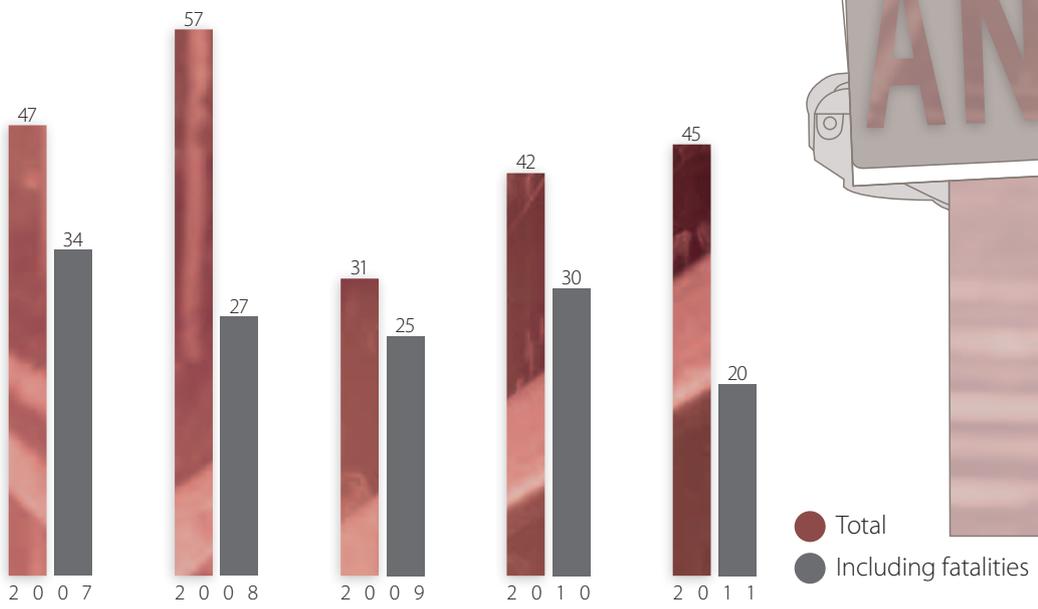
RAILWAY ACCIDENTS INVOLVING PEOPLE IN 2011

INJURIES	
Number of pedestrians injured in collisions	Number of casualties of motor vehicle and bicycle collisions
21	4
TOTAL	25

FATALITIES	
Number of pedestrian fatalities	Number of fatalities in motor vehicle and bicycle collisions
18	2
TOTAL	20

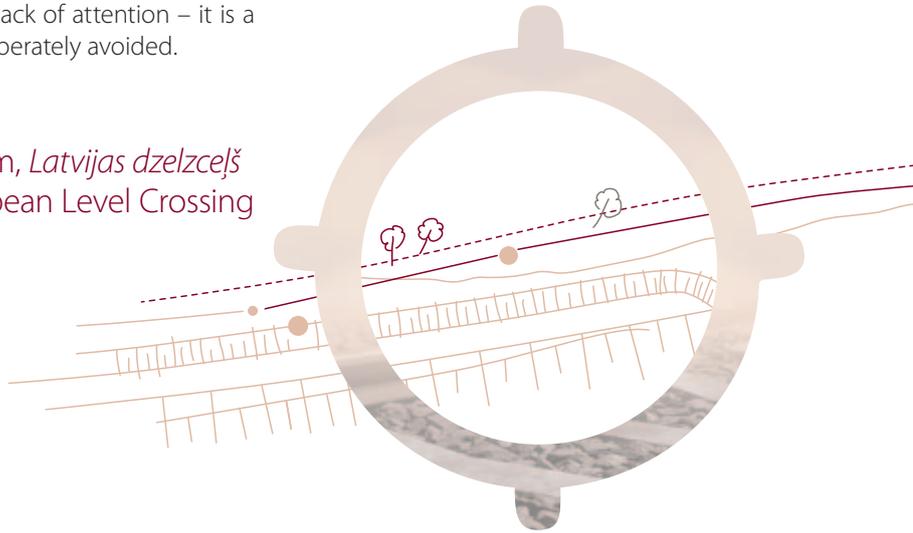


RAILWAY ACCIDENTS INVOLVING PEOPLE
IN 2007 – 2011

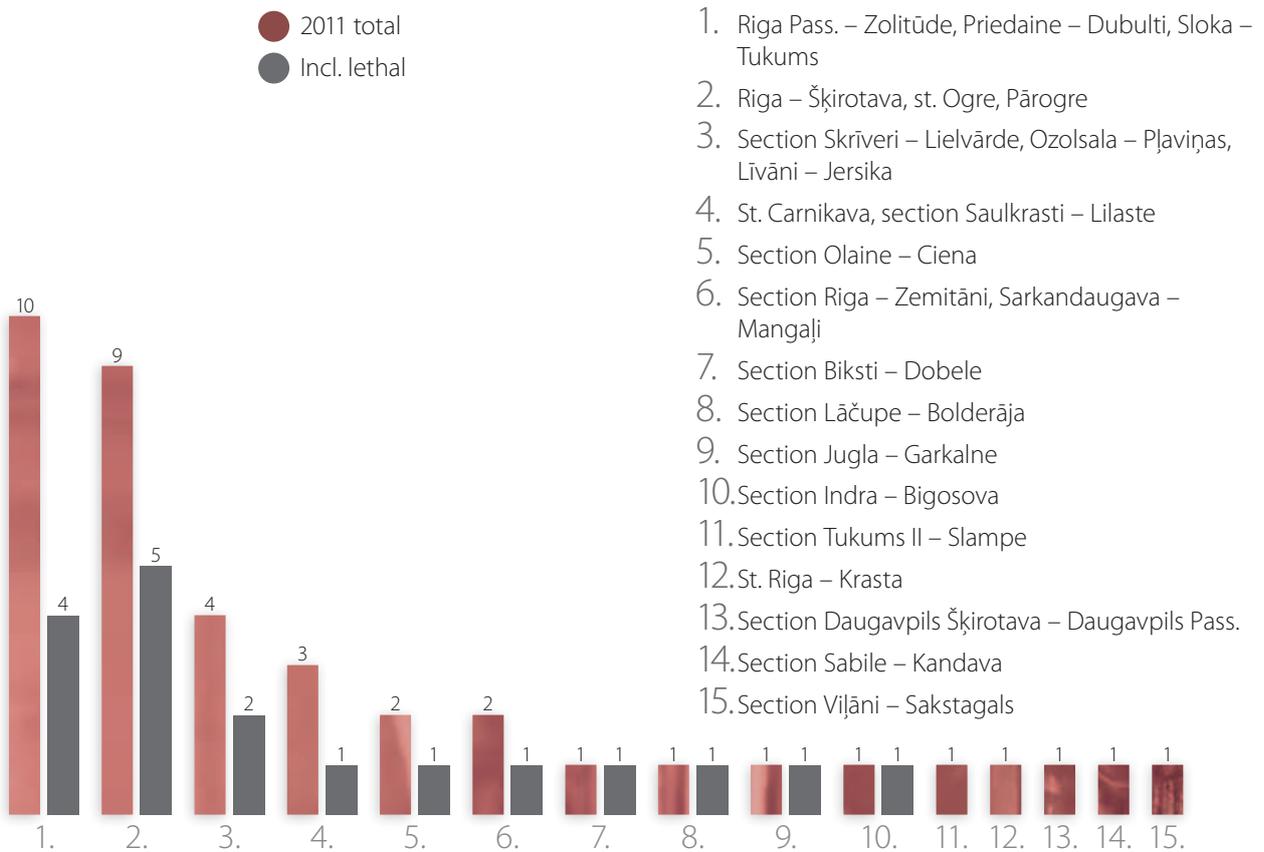


Level crossings still remain places that pedestrians and drivers attempt to cross despite approaching train, warning signals and closed barrier. In 2011, there were 21 cases of damaged railway barriers resulting from vehicles crossing a closed level crossing. 10 collisions with train were caused by unsanctioned and reckless actions. Four vehicle occupants have been injured and two killed. Traffic safety experts from different countries agree: if people observed the warnings and waited until the crossing is open again, such accidents would not happen. Unauthorised railway crossing is not a coincidence or lack of attention – it is a deliberate decision which could be just as deliberately avoided.

- To raise awareness of this problem, *Latvijas dzelzceļš* has been taking part in the European Level Crossing Day in June for several years.



SITES OF TRAIN COLLISIONS IN LATVIA IN 2011

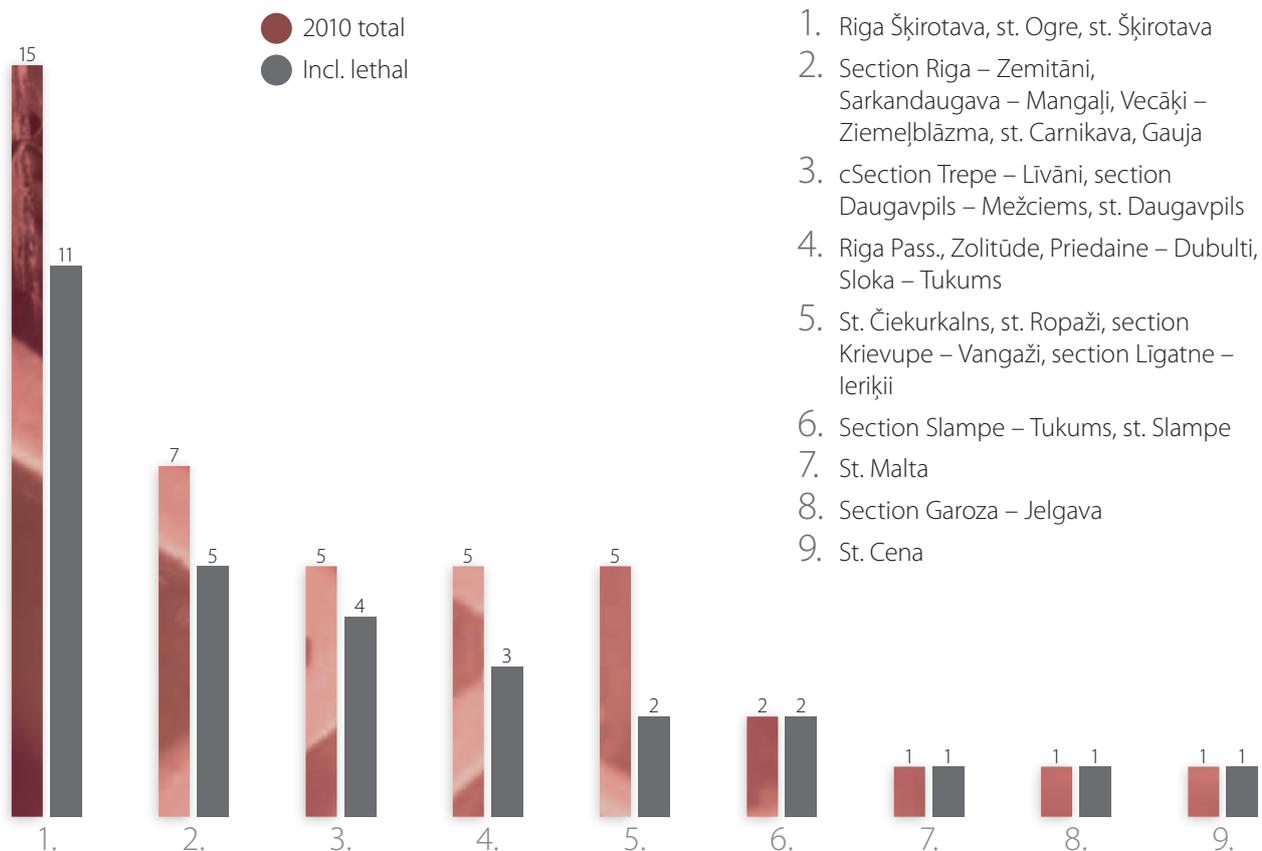




UZMANĪBU VILCIENS!

- In the quest for solutions to make approaching trains more visible to people, in 2011 all traction rolling stock began running with lights on at any time of day.

SITES
OF TRAIN COLLISIONS IN LATVIA
IN 2011



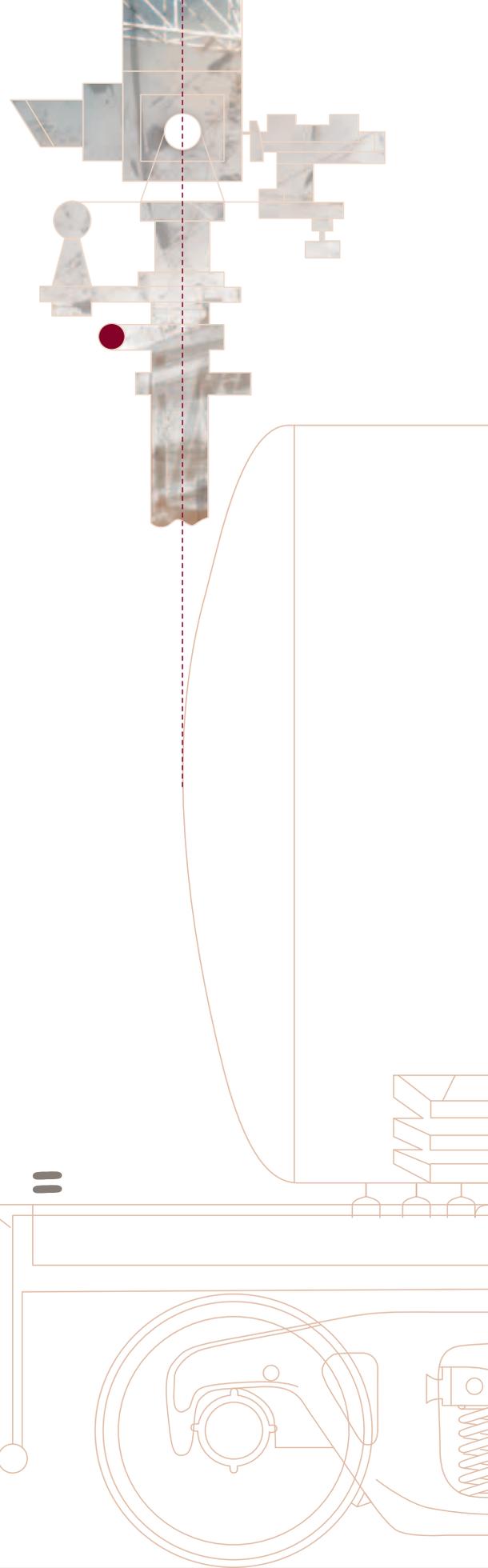
INFRASTRUCTURE MONITORING

Safety is one of the core values of *Latvijas dzelzceļš*. To ensure it, the technical condition of rail infrastructure is continuously and systematically inspected to prevent accidents caused by unsafe or faulty equipment. Inspection and survey results are discussed and steps are taken to resolve the shortcomings and prevent them in the future. Upon discovery of unacceptable safety risk, the use of the faulty or damaged rolling stock, rail tracks or other vehicles and equipment is forbidden until the faults are corrected.

A new route measuring carriage was purchased in 2011 and added to the safety monitoring tools arsenal. For safety reasons, it is used for measurement of geometric properties (width, level, direction) of all Latvian rail routes on a regular basis.

READINESS TO RELIEVE ACCIDENT DAMAGE

Concerns for safety include readiness to relieve rail accident damage. For this purpose, *Latvijas dzelzceļš* emergency response crews consisting of various experts trained in coordinated and prompt response are stationed at the largest railway hubs. In case of serious disasters, company assistance and firefighting trains can be involved. Railway employees from the emergency response crews receive regular training in cooperation with State Firefighting Service. The largest field training in accident relief took place in Valmiera in 2011. Employees of *Latvijas dzelzceļš* attended this training alongside other rescue services. The purpose of the civil defence training was to practice and reinforce the emergency situation control skills, communication, notification and order maintenance, mobilisation of human and material resources, restriction and elimination of harmful factors, administration of medical assistance, evacuation, and mitigation of consequences.



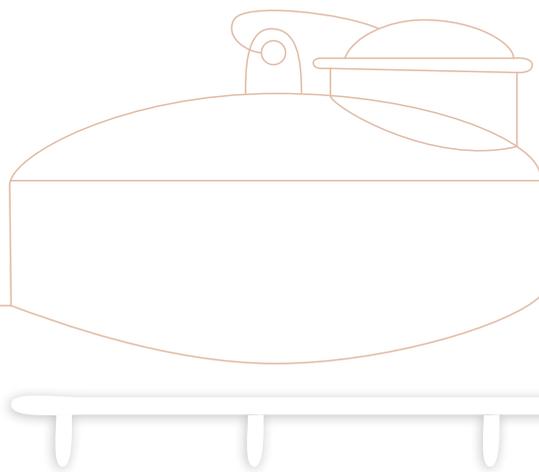
REDUCING "HUMAN ERROR"

In the efforts to ensure rail traffic safety, special attention is paid to the employees of the company employed in rail professions. *Latvijas dzelzceļš* ensures the professional qualification, training and good working conditions for these employees and tests their working skills and knowledge on a regular basis to reduce the risk of accidents caused by "human error" (lack of knowledge, fatigue).

In-profession training of the employees of *Latvijas dzelzceļš* has been launched. The employees take organised training courses giving an idea into the safety specifics of the respective job and in-depth insight into the nature and specifics of the profession.

Special simulators and exercise machines have been created for training of train traffic employees. By taking a theoretical and practical course, these employees are prepared for adequate reaction to non-standard situations on the railway.

Employees whose tasks are directly related to rail traffic, organisation or monitoring according to the safety policy of *Latvijas dzelzceļš* take qualification courses and have their knowledge tested and work results analysed to avoid inaccuracy or carelessness, which can have severe consequences in the rail industry. Knowledge and skills of rail experts are periodically tested by an employer's commission which decides on the suitability of the employee for the respective position and issues or extends the Railway Specialist Certificate.



SOCIAL ACTIVITIES

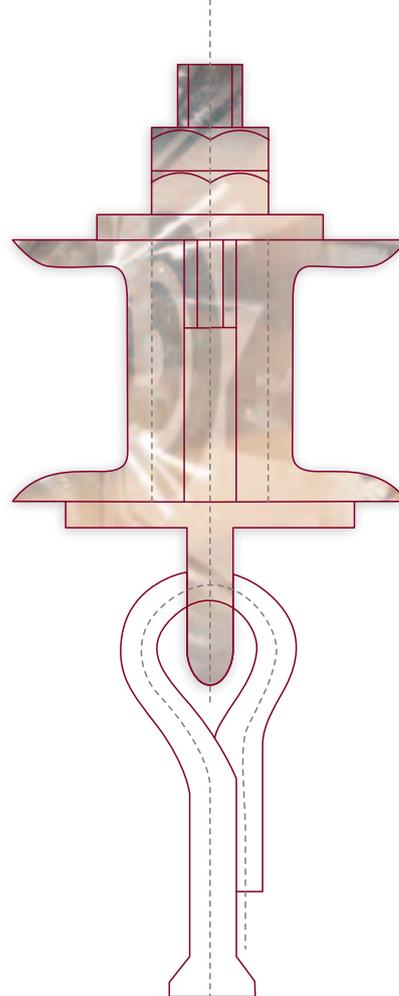
The communications policy of *Latvijas dzelzceļš* is closely linked to the company's business strategy and objectives. The company carries out internal and external communication using a single communications platform. Importance of maintaining constant communication in international business environment, cooperation, integration of company perspective, strategic future visions and development into nationwide conception and processes, active participation in the development of EU regulatory norms governing and addressing creation of a single European rail environment and development of mechanisms for continuous information exchange flow within the company employing almost 12,000 employees are among the core development values of *Latvijas dzelzceļš*.

Latvijas dzelzceļš constantly maintains and provides information about the concern on the company website and in informative and promotion publications about the concern, its activities and current events, gets involved and participates in strategically important international and national rail unions and task forces. *Latvijas dzelzceļš* cooperates with local and foreign media, maintains active presence on social networks and ensures information circulation within the company with daily updates to the company intranet concerning the latest current events in the industry and in the concern. The newspaper *Latvijas dzelzceļnieks* is published once a week. The company organises regular joint events for the employees: collective cleanups, sports games, participation in national amateur sporting events and celebration of national holidays and dates important to the concern.

DIRECTORY SERVICE 1181

Although it has been several years since the domestic passenger services were separated from *Latvijas dzelzceļš* and provided by *JSC Pasažieru vilciens*, the society still associates *Latvijas dzelzceļš* with this service. *Latvijas dzelzceļš* cannot influence the quality and prices of passenger services, however it has created a universal directory service 1181, which provides 24-hour information on domestic and international passenger services and also the contact information of *Latvijas dzelzceļš*. The range of information services was expanded in 2011 by undertaking the Telegraph Station operator functions.

Rail Directory Service 1181 has set the aim of becoming not only a versatile source of information for external clients, but also to coordinate the information flow inside the company and enable the employees of *Latvijas dzelzceļš* to receive assistance in technical matters using the one-stop agency principle. In 2011, work was commenced to hand over the coordination of all inquiries related to computer equipment (faults, replacement, software installation) to the directory service 1181. It is also planned that in the near future the service will coordinate all technical and practical matters related to providing and equipping the workplace of new employees.



INTERNAL COMPANY COMMUNICATION

2011, which was a record year for the company in terms of freight volume, was also a great challenge for the employees as it required even more focus, dedication, strategic thinking and tenacity. Therefore, the claim that the employees are our greatest asset is not just an empty phrase for the *Latvijas dzelzceļš* concern. With their loyalty, great dedication and devotion, the employees of the company achieved one of the most ambitious goals of the company – to become one of the leading rail carriers in Europe. Meanwhile, the selflessness and openness of the employees is also related to the long-term integrity and commitment of the concern and care for the people working in it.

INTRANET AND COMPANY NEWSPAPER

The two most important internal communication tools of *Latvijas dzelzceļš* are the internal company website (intranet) and the weekly newspaper *Latvijas Dzelzceļnieks*. In addition to those, however, there is a number of other activities and events aimed at consolidation of staff and establishment of common values and awareness.

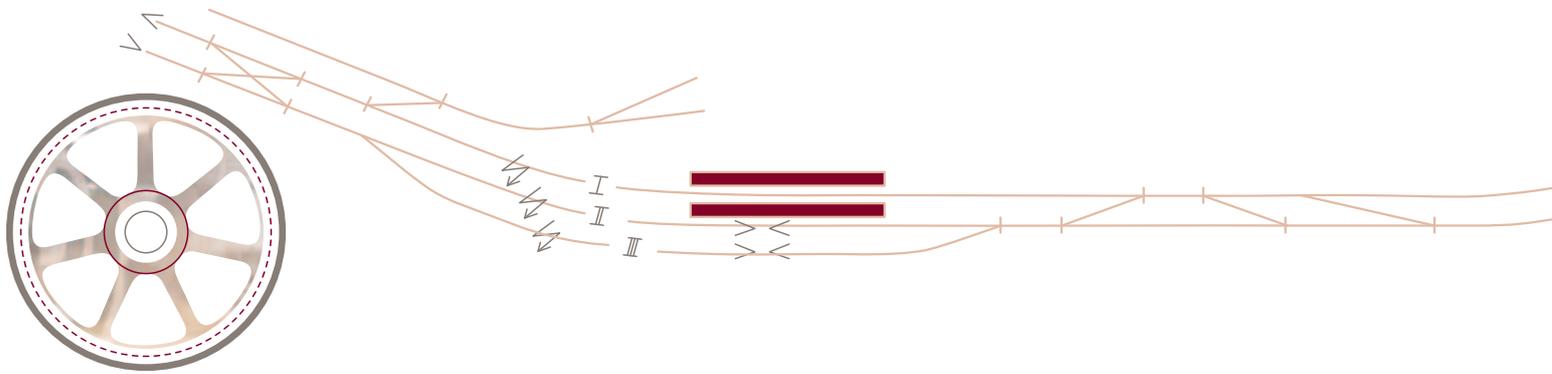
HONOURS AND AWARDS

Each year, *Latvijas dzelzceļš* issues a number of awards for employees' achievements – for long service, for prevention of emergency situations, for lifetime achievements and scientific achievements. A special prize – The Pride of Railway is awarded for humanity and good fellowship. Anyone is free to nominate their subordinates, managers and other colleagues for this award on the grounds of their human qualities – ones that are worth being proud of. This award is not just an expression of honour and respect, but also an appreciation for the daily assistance and support. Nine employees received this highly-rated award in 2011.

Awards granted in 2011:

- *Latvijas dzelzceļš* Honorary Badge – 13
- Traffic Safety Badge – 1
- Long Service Badge – 503
- Nine employees received a Note of Appreciation from the Ministry of Transport in 2011.





PARTICIPATION IN SPORTS EVENTS

Employees of *Latvijas dzelzceļš* are not only active and full of initiative in their daily work, but also in the social circles outside working hours. They form teams to participate in Latvian and European sporting events – Riga Marathon, Unity Cycle Race in Sigulda and the European Employees’ Sports Games. The company also has a number of teams: hockey, football, basketball, ladies’ volleyball and a folk dancing group.

SUMMER SPORTS GAMES

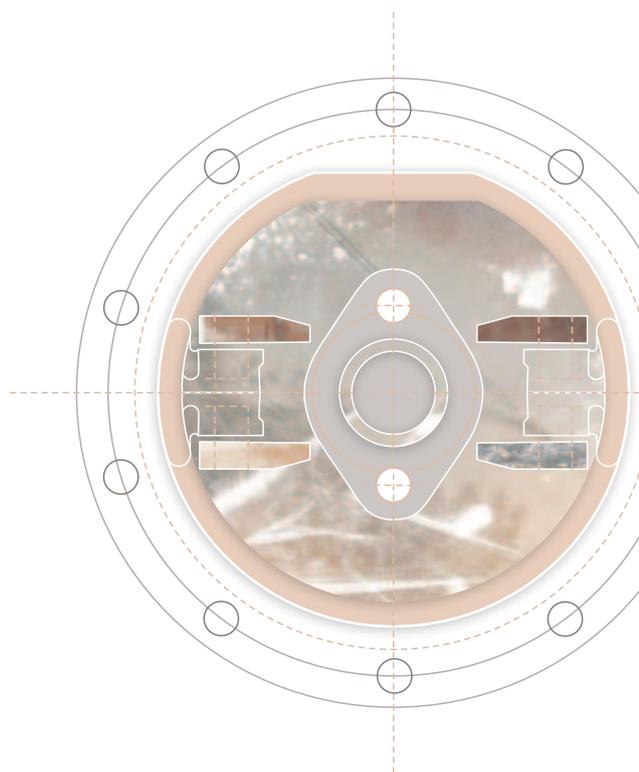
Every midsummer, *Latvijas dzelzceļš* organises international railway sports games for teams from the company units and subsidiaries, as well as Latvian and foreign partners.

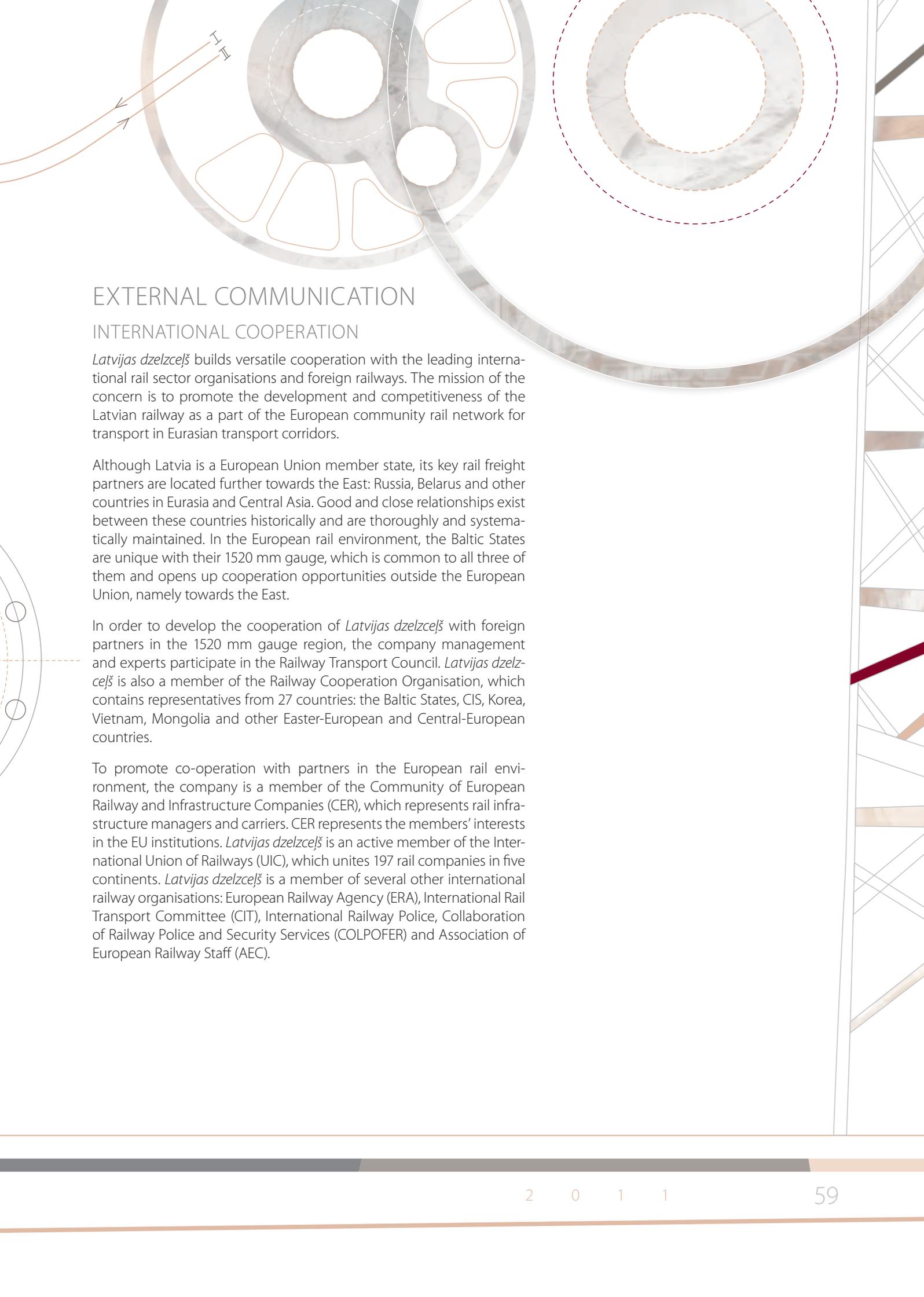
CHILDREN OF RAILWAY EMPLOYEES

A historic trend in the rail sector is the passing of the trade from generation to generation. The concern has several “dynasties” of railwaymen, who are highly regarded by the company for their trust and loyalty and vice versa. *Latvijas dzelzceļš* also takes care of the employees’ children as this boosts confidence in employees and in the young generation alike, possibly leading to continuation of professional family traditions in the future. *Latvijas dzelzceļš* organises Christmas parties for young children of railway employees and various creative competitions where the children can have fun and feel as belonging to their parents’ workplace and company.

JOINT CELEBRATIONS

The concern has a tradition of celebrating national holidays and company events together. This includes the celebration of *Latvijas dzelzceļš* anniversary every year on 5 August, Midsummer celebrations and acknowledgement of the best employees on Independence Day – 18 November.





EXTERNAL COMMUNICATION

INTERNATIONAL COOPERATION

Latvijas dzelzceļš builds versatile cooperation with the leading international rail sector organisations and foreign railways. The mission of the concern is to promote the development and competitiveness of the Latvian railway as a part of the European community rail network for transport in Eurasian transport corridors.

Although Latvia is a European Union member state, its key rail freight partners are located further towards the East: Russia, Belarus and other countries in Eurasia and Central Asia. Good and close relationships exist between these countries historically and are thoroughly and systematically maintained. In the European rail environment, the Baltic States are unique with their 1520 mm gauge, which is common to all three of them and opens up cooperation opportunities outside the European Union, namely towards the East.

In order to develop the cooperation of *Latvijas dzelzceļš* with foreign partners in the 1520 mm gauge region, the company management and experts participate in the Railway Transport Council. *Latvijas dzelzceļš* is also a member of the Railway Cooperation Organisation, which contains representatives from 27 countries: the Baltic States, CIS, Korea, Vietnam, Mongolia and other Eastern-European and Central-European countries.

To promote co-operation with partners in the European rail environment, the company is a member of the Community of European Railway and Infrastructure Companies (CER), which represents rail infrastructure managers and carriers. CER represents the members' interests in the EU institutions. *Latvijas dzelzceļš* is an active member of the International Union of Railways (UIC), which unites 197 rail companies in five continents. *Latvijas dzelzceļš* is a member of several other international railway organisations: European Railway Agency (ERA), International Rail Transport Committee (CIT), International Railway Police, Collaboration of Railway Police and Security Services (COLPOFER) and Association of European Railway Staff (AEC).

KEY INTERNATIONAL MEETINGS AND EVENTS IN 2011

- Meetings of the Community of European Railway and Infrastructure Companies (CER) 1520 support group continued in 2011 and representatives of JSC *Latvijas dzelzceļš* were regular attendees.
- Several meetings of representatives of *Latvijas dzelzceļš* and Russian Railways took place in 2011, as well as meetings of Russian Ministry of Transport task forces, discussing possible solutions for ensuring quicker two-sided passenger and freight transport. The constantly increasing freight volume throughout 2011 was noted as a positive trend.
- In April, XXVI Railway Cooperation Organisation CEO Conference took place in Tajikistan capital Dushanbe addressing issues such as 2010 results, mutual settlements, committee task plan for 2012, approval of 2011 budget, creation of a joint Railway Cooperation Organisation/UIC task force for automatic AGCS systems, etc.
- The 54th Meeting of the Railway Transport Council took place in May in Helsinki, Finland. It focused on the use of joint carriage fleet in the 1520 mm gauge region. The delegation of *Latvijas dzelzceļš* concern was led by the company President Uģis Magonis.
- In mid-October Riga hosted one of the main events of the year – III International Railway Business Forum Strategic Partnership 1520: Baltic Region. The central theme of the Forum: Baltic Region: Railway Business on Trans-European Level. *Latvijas dzelzceļš* concern was one of the organisers of the forum. The forum was officially opened by the President of the Republic of Latvia Andris Bērziņš, President of *Latvijas dzelzceļš* Uģis Magonis and President of the open joint-stock company *Rossijskije zheleznije dorogi* Vladimir Yakunin. One of the key events of the business forum was the plenary session Baltic Region: Partnership of 1520 and 1435 Business Areas. It was attended by railway sector managers, representatives of business and financial bodies from Russia, CIS and the Baltic States. Discussions included subjects of development of the East-West and North-South transport corridors, approximation of rail legislation in the 1520 mm and 1435 mm regions, cooperation with European Union member states in the transport sector, etc. This was also the main focus of the railway business forum Strategic Partnership 1520 held in early summer in Sochi, Russia.
- In autumn, *Latvijas dzelzceļš* participated in organisation of the 23rd European Railway Trade Union Meeting to discuss the proposals of the European Parliament and Council or the so-called First Railway Package for creation of united European railway area, which involves market liberalisation and structural separation.
- Representatives of *Latvijas dzelzceļš* attended the 20th CIS Railway Tariffs Conference where the 2012 CIS railway tariff policy was ratified. At the conference, national railways fixed the basic rates that were retained at the 2011 level.
- In late 2011, President of *Latvijas dzelzceļš* Uģis Magonis and the Minister of Transport Aivis Ronis, as well as a number of company and subsidiary executives took part in a large transport sector event in Kazakhstan – Kazakhstan Transport Days 2011. The aim of Latvia was to demonstrate the advantages of the Latvian transit corridor. Kazakhstan is an important partner of *Latvijas dzelzceļš* with great future potential. In 2011, the volume of freight from Kazakhstan accounted for more than 4% of the total volume: 2.43 million tons. In prospective, Kazakhstan may become an important transit section for freight transport from China to Latvian ports.



COOPERATION IN LATVIA

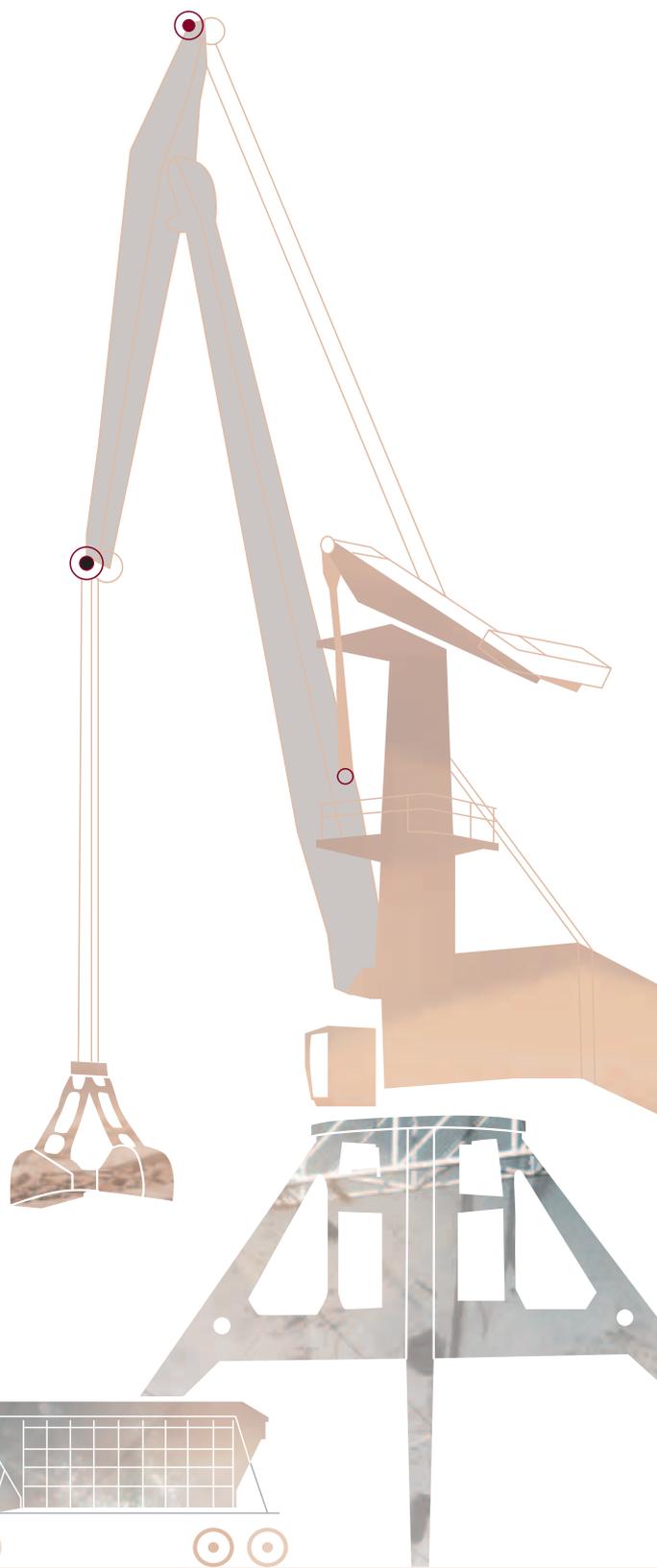
Latvijas dzelzceļš has a number of customers and cooperation partners in Latvia, just as abroad. However, *Latvijas dzelzceļš* is involved in other areas besides business to represent and implement the company values and responsibility towards the processes pertaining to the country in general, its development and perspectives.

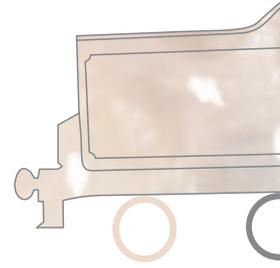
Under the European Union ARTEMIS (Advanced Research and Technology Embedded Intelligence and Systems) programme *Latvijas dzelzceļš* cooperates with Riga Technical University and the Latvian Academy of Sciences, supporting scientific innovations in rail sector and research of their application and usefulness. It also cooperates in leading successful ideas to practical, recognised and certified applications.

Latvijas dzelzceļš has initiated the development of SAP business management system speciality at the Riga Technical University.

An important direction of cooperation on a national level is the openness of *Latvijas dzelzceļš* to joint, socially acceptable and required solutions for improvement of stations and the corresponding infrastructure in collaboration with the local authorities. Successful cooperation with Saulkrasti, Jūrmala, Rēzekne and Sigulda municipalities took place in 2011. Sigulda station is gradually becoming a pilot project for a modern, fully-equipped station. The local government will carry out repairs of the station building and access roads, while *Latvijas dzelzceļš* will upgrade and improve the rail infrastructure by building high platforms and restoring the tracks.

Latvijas dzelzceļš is a member of the Latvian Telecommunications Association and participates in creation and maintenance of dialogue and industry opinion formation on a national level. The association aims to promote the development of the telecommunications industry and perspectives and integration into the European telecommunications business and global telecommunications organisations.





LATVIAN RAILWAY HISTORY MUSEUM

The Latvian Railway history museum is a department of the company since 1996. The museum was established on 30 August 1994.

The museum mission is to create awareness and build positive attitude towards the railway industry, its development, its intrinsically objective environment, labour skills and traditions in Latvia since the 1850's by creating, developing and creatively using the largest Latvian railway heritage source – the knowledge of employees and railway history enthusiasts. The museum organises and leads tours, consults researchers and enthusiasts, publishes articles in local and international popular science titles; the museum employees participate in conferences and maintain information and exhibit exchange for show use with other museums.

Latvian Railway history museum is in charge of:

- Maintenance of historical evidence of Latvian railways, organised collection and documentation thereof;
- Research of the museum collection and the information related thereto;
- Ensuring accessibility of the collected and newly created values;
- Ensuring the functioning of a modern museum.

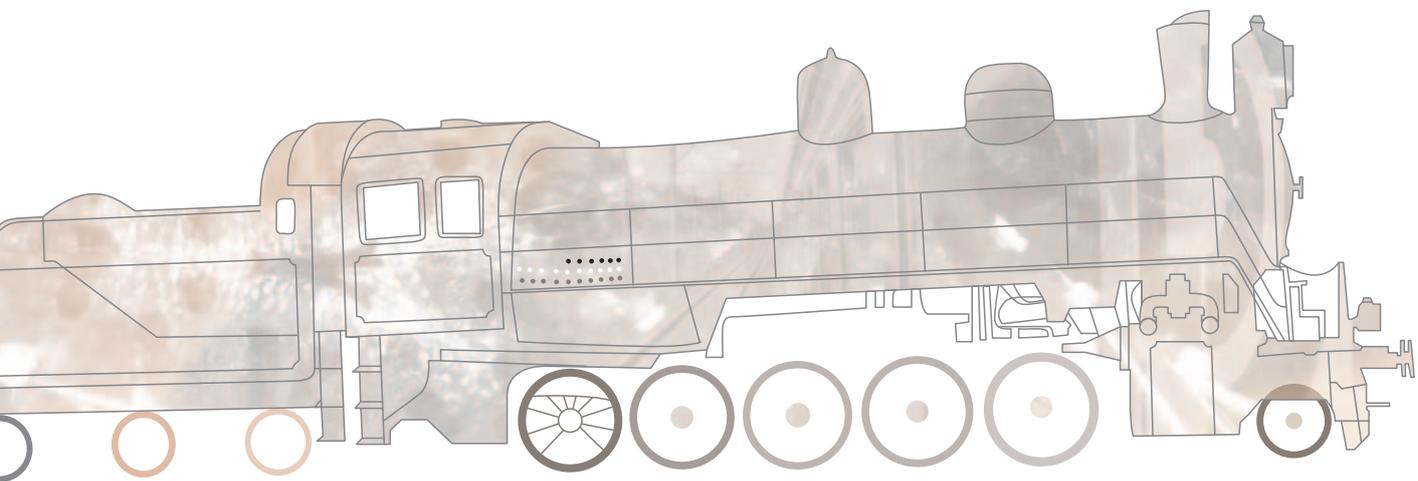
In 2011, the 676 exhibits, more than 90% of those photographs, were added to the museum collection.

NUMBER OF VISITORS

A total of 139 tours were guided in the museum in 2011. In 2011, the Railway Museum displays and exhibitions in were open for 253 days and attended by 22,361 people, 2377 of those in Jelgava. The majority of museum audience are individual visitors (19,299), most of the groups consist of pupils (3062).

NUMBER OF MUSEUM VISITORS IN 2011/2010

MONTH	01	02	03	04	05	06	07	08	09	10	11	12
2011	348	404	731	590	9866	585	1025	1057	2216	2991	1352	1196
2010	336	353	1144	780	8911	792	748	1082	1064	3332	1113	995



RESTORATION OF COLLECTION ITEMS

The main event in terms of museum collection restoration in 2011 was the restoration of a 1925 Class III passenger carriage, which were commenced in 2010. The metal body structures and the running gear have been restored during 2011. The estimated time of completion of restoration works is spring of 2012.

Wiring of the L-312 steam locomotive has been restored. Restoration of narrow-gauge steam locomotive ML 611 was commenced in late 2011.

RESEARCH ACTIVITY

The research focus for 2011 was the history of the Riga-Daugavpils railway line to prepare the plan for the exhibition *Railway in Latvia, Latvia for Railway* and the catalogue book for the 150th anniversary of the line.

The research of Latvian railways rolling stock from 1860 to 1991 continued. Information about the use of Latvian railways' rolling stock in various USSR industrial enterprises has been found in the Central October Railway Museum of Russia.

To improve the *Railway and Railwaymen* exposition, research was carried out on history of Jelgava Operations Department, Machinery Department, Track Department, the Jelgava railway hub and its employees from 1919 to 1940.

EXHIBITIONS

As a part of the International European Museum Night 2011, the Latvian Railway history museum prepared an exhibition *With a Train to Europe* to tell the history of international transport and present the possibilities of the *Rail Baltica* project.

An exhibition: *Railway in Latvia*. Latvia for Railway was opened in the Latvian Railway history museum in September 2011. The exhibition is dedicated to the 150th anniversary of Riga-Daugavpils railway. Its aim was to highlight the national and social life aspects most affected by train through the history and geography of Riga-Daugavpils line. The exhibition includes objects from the Riga History and Maritime Museum, Ethnographic Open-air Museum of Latvia, Ogre History and Art Museum, the National Library of Latvia and private collections.

For the second year running, the museum organised a week-long scale model exhibition titled *Lilliputia*. It was organized in cooperation with railway model enthusiasts.

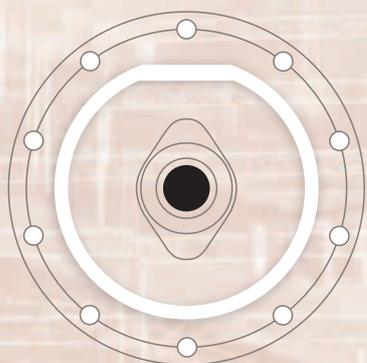
For the birthday of Latvia on 18 November, the Railway history museum hosted a photo exhibition from the collection of postcards and photographs themed *Station in Festive Dress*. From 1919 to 1940, there was a tradition to decorate stations for the national independence day (18 November) with green lingonberry wreaths, national flag ribbons and good wishes to the country. The decorated stations were showcased in the vintage postcards and photographs.







CONCERN'S FINANCIAL STATEMENT



UĢIS MAGONIS
Chairman of the Board

STATE JOINT STOCK COMPANY
LATVIJAS DZELZCEĻŠ

PROFIT OR LOSS ACCOUNT

(By turnover cost method)

LVL

INDICATOR	2011.	2010.
Net turnover	147 560 893	130 423 798
Cost of Goods Sold	(132 154 673)	(122 616 962)
Gross profit (from turnover)	15 406 220	7 806 836
Administration costs	(15 672 691)	(14 512 065)
Other operating income	12 627 189	24 958 663
Other operating expenses	(5 373 228)	(17 044 837)
Income from participation in subsidiary and associated undertakings	1 690 268	1 221 381
Income from securities and loans forming long-term investments	141 070	195 226
Other interest income and similar revenue	174 767	68 006
Interest payments and similar costs	(2 209 896)	(1 473 274)
Profit before taxes	6 783 699	1 219 936
Corporate income tax	(732 289)	(541 295)
Deferred corporate income tax	384 070	595 964
Other taxes	(275 056)	(299 592)
Profit after tax for the accounting period	6 160 424	975 013

Riga, 7 June 2012

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

U. Magonis

E. Bērziņš

A. Strakšas

Ē. Šmuksts

BALANCE SHEET

LVL

ASSETS	31.12.2011.	31.12.2010.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licenses, trademarks, etc. rights	854 571	1 059 064
I TOTAL	854 571	1 059 064
II. Fixed Assets		
1. Land, buildings, structures and perennial plantings	177 967 015	175 346 815
2. Long-term investments in rented fixed assets	2 569 538	3 211 922
3. Equipment and machinery	63 105 336	37 362 000
4. Other fixed assets and fixtures	6 409 832	5 599 174
5. Fixed assets under construction and construction in progress costs	16 208 725	30 231 085
6. Advances for fixed assets	40 875 812	46 052 150
II TOTAL	307 136 258	297 803 146
III. Long-term Financial Investments		
1. Participation in related undertakings	24 486 584	24 486 584
2. Other securities and investments	347 450	347 450
III TOTAL	24 834 034	24 834 034
1. SECTION TOTAL	332 824 863	323 696 244
2. CURRENT ASSETS		
I. Stocks		
1. Raw materials, basic materials and consumables	5 004 976	8 375 601
2. Finished goods and goods for resale	7 309	10 387
3. Orders in progress	10 196	10 196
4. Prepayments for goods	212 199	338 832
5. Working animals and productive animals	10	20
I TOTAL	5 234 690	8 735 036
II. Accounts Receivable		
1. Trade receivables	2 495 317	2 141 008
2. Receivables from related undertakings	8 733 480	4 816 211
3. Other receivables	811 934	5 452 740
4. Prepaid expenses	397 397	236 639
II TOTAL	12 438 128	12 646 598
III. Cash	37 207 455	17 969 218
III TOTAL	37 207 455	17 969 218
2. SECTION TOTAL	54 880 273	39 350 852
BALANCE	387 705 136	363 047 096

BALANCE SHEET

LVL

EQUITY AND LIABILITIES	31.12.2011.	31.12.2010.
1. OWNERS' EQUITY		
1. Share capital (equity capital)	114 850 643	114 628 593
2. Reserves: other reserves	1 773 401	1 675 900
3. Retained earnings: reporting year's retained earnings	6 160 424	975 013
1. SECTION TOTAL	122 784 468	117 279 506
2. PROVISIONS		
1. Provisions for pensions and similar obligations	651 271	519 106
2. Other provisions	24 951 743	21 999 709
2. SECTION TOTAL	25 603 014	22 518 815
3. LIABILITIES		
I. Long-term Liabilities		
1. Loans from credit institutions	54 006 573	53 711 057
2. Other loans	-	414 095
3. trade payables	341 747	341 747
4. Deferred income	131 649 238	106 154 430
5. Deferred tax liabilities	5 419 844	5 803 914
I TOTAL	191 417 402	166 425 243
II. Current Liabilities		
1. Loans from credit institutions	11 567 156	34 414 026
2. Other loans	6 151 991	1 122 151
3. Advances from customers	19 846	8 690
4. Trade liabilities	6 217 613	5 340 973
5. Amounts due to related undertakings	4 114 724	2 616 299
6. Taxes and mandatory state social security contributions	4 015 745	3 460 407
7. Other liabilities	3 417 687	2 928 592
8. Deferred income	12 332 230	6 908 414
9. Accrued liabilities	63 260	23 980
II TOTAL	47 900 252	56 823 532
3. SECTION TOTAL	239 317 654	223 248 775
BALANCE	387 705 136	363 047 096

Riga, 7 June 2012

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

U. Magonis

E. Bērziņš

A. Strakšas

Ē. Šmuksts

CASH FLOW STATEMENT

(using direct method)

LVL

	2011.		2010.	
	RECEIVED	PAID	RECEIVED	PAID
1. Core business				
1.1. received from buyers and customers	182 184 462	-	164 513 633	-
1.2. bank interest received	81 987	-	54 481	-
1.3. paid for goods and services	-	59 318 685	-	58 518 375
1.4. wages and mandatory state social security contributions	-	67 699 941	-	67 770 262
1.5. other operating expenses	-	3 689 744	-	5 466 440
1.6. interest payments	-	2 187 017	-	1 381 959
1.7. corporate income tax payments	-	1 029 975	-	2 785 342
1.8. other tax payments	-	16 781 022	-	8 396 777
Total:	182 266 449	150 706 384	164 568 114	144 319 155
<i>Net cash flow from principal activity</i>	+31 560 065	-	+ 20 248 959	-
2. Investment activities				
2.1. dividends received	1 831 338	-	1 416 607	-
2.2. received from sale of fixed assets	582 146	-	589 145	-
2.3. fixed assets, licenses purchased	-	31 230 393	-	80 753 114
2.4. payments into the equity of subsidiaries	-	-	-	25 000
Total:	2 413 484	31 230 393	2 005 752	80 778 114
<i>Net cash flow from investment activity</i>	-	-28 816 909	-	-78 772 362
3. Financing activities				
3.1. loan received	11 679 635	-	40 611 066	-
3.2. EU funds (Cohesion Fund and national funds)	39 125 441	-	34 832 422	-
3.3. interest received from overdraft funds	87 705	-	13 525	-
3.4. bank interest received	-	-	-	-
3.5. loan paid	-	34 335 413	-	11 581 714
3.6. money paid for capital lease obligations	-	1 006 686	-	1 006 686
3.7. paid into the budget for the use of state capital	-	877 512	-	342 920
3.8. overdraft funds	1 776 337	-	2 498 324	-
Total:	52 669 118	36 219 611	77 955 337	12 931 320
<i>Net cash flow from financing activity</i>	+16 449 507	-	+65 024 017	-
Erroneous transfers	473	-	-	2 941
Exchange rate differences	45 101	-	-	91 862
Total	237 394 625	218 156 388	244 529 203	238 123 392
<i>Total cash increase or decrease</i>	+19 238 237		+ 6 405 811	
Cash balance at the end of the year	37 207 455		17 969 218	
At the beginning of the year	17 969 218		11 563 407	
Cash increase	+19 238 237		+6 405 811	

OPERATING INDICATORS OF THE STATE JOINT STOCK COMPANY
LATVIJAS DZELZCEĻŠ

LVL

	2009	2010	2011
Income	146 459 536	130 423 798	147 560 893
Incl. income from sale of infrastructure capacity	96 069 669	85 745 070	98 933 940
Income from additional services by the infrastructure manager	23 083 638	21 928 382	26 115 129
Profit from operating activities ^	3 768 224	909 005	6 712 434
Profitability of operating activities*	2,6 %	0,7 %	4,5 %
Profit of the accounting year	1 270 073	975 013	6 160 424
Profitability of the accounting year**	0,9%	0,7%	4,2%
Total liquidity***	0,9	0,7	1,1
Return on assets ^	0,4%	0,3%	1,6%
Return on equity ^^	1,1%	0,8%	5,1%
Non-current assets at the end of the accounting year	261 571 795	323 696 244	332 824 863
Assets at the end of the accounting year	298 924 945	363 047 096	387 705 136
Equity at the end of the accounting year	116 647 413	117 279 506	122 784 468
Loans from credit institutions at the end of the accounting year	58 363 685	88 125 083	65 573 729
Capital investments	46 514 251	57 088 676	45 732 185

^ Profit from operating activities – profit before corporate tax, financial expenses or revenue

* Profitability of operating activities – profit/income from operating activities

** Profitability of the accounting year – profit/income of the accounting year

*** Total liquidity – current assets/short-term liabilities

^ Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^^ Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

INDICATORS OF EXPLOITATION OF THE RAILWAY NETWORK

	2009	2010	2011
Volume of shipped freights (thousands of tons)	53 679	49 164	59 385
Train-km of freight shipment (thousands of train-km)	11 633	10 625	12 631
Number of carried passengers (thousands)	21 555	20 856	20 494
Train-km of passenger carrying (thousands of train-km)	6 879	6 292	6 397
Processing of freight trains at stations (number of wagons)	4 073 764	3 689 671	4 310 780
Technical maintenance and inspection of freight wagons (number of wagons)	3 632 107	3 328 038	3 835 210
Number of employees at the end of the accounting year	7 367	7 285	7 221



Independent Auditor's Report on the Summary Financial Statements

To the shareholder of the Joint Stock Company VAS Latvijas Dzelzceļš

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the year 2011 have been prepared on the basis of the 2011 audited financial statements of VAS Latvijas Dzelzceļš. In our report of 7 June 2012 we provided an unqualified opinion regarding those financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of VAS Latvijas Dzelzceļš.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the Annex "Guidelines for Deriving of the Summary Financial Statements".

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the 2011 audited financial statements of VAS Latvijas Dzelzceļš correspond in all material aspects to the financial statements, on the basis of what is stated in the Annex "Guidelines for Deriving of the Summary Financial Statements".

PricewaterhouseCoopers SIA
Company of certified auditors
Licence No. 5

Ahmed Abu Sharkh
Chairman of the Board

Riga, Latvia
7 June 2012

Ilandra Lejiņa
Responsible Certified Auditor
Certificate No. 168

PricewaterhouseCoopers SIA, Kr. Valdemāra iela 19, Rīga LV-1010, Latvija
T: +371 6709 4400, F: +371 6783 0055, www.pwc.lv

ANNEX

Guidelines for Deriving of the Summary Financial Statements
Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement for the accounting year ending on 31 December 2011 and the Cash Flow Statement for the year 2011 have been prepared on the basis of the relevant information from the 2011 audited financial statements of VAS Latvijas Dzelzceļš, without any variations thereof. The audited financial statements are available from the administration of VAS Latvijas Dzelzceļš. Respectively, these Summary Financial Statements correspond to the general financial statements.

2011 ANNUAL REPORT OF THE OF THE GROUP OF COMPANIES *LATVIJAS DZELZCEĻŠ*
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR 2011

LVL

INDICATOR	2011	2010	2009
Income	318 773 284	257 443 067	284 826 470
Cost of Goods Sold	(279 553 343)	(243 897 433)	(248 449 484)
Gross profit	39 219 941	13 545 634	36 376 986
Administration costs	(26 067 311)	(24 089 015)	(24 447 735)
Other operating income	16 713 730	27 315 424	14 582 999
Other operating expenses	(5 885 081)	(17 634 024)	(21 817 195)
Proceeds from long-term investments	141 070	195 226	549 354
Financial income	153 376	185 258	773 456
Financial costs	(2 704 064)	(2 059 711)	(2 083 517)
Profit / (loss) before corporate income tax	21 571 661	(2 541 208)	3 934 348
Corporate income tax	(2 473 280)	304 174	(2 212 921)
Profit / (loss) for the reporting period	19 098 381	(2 237 034)	1 721 427
Comprehensive income / (expenses) for the reporting period	19 098 381	(2 237 034)	1 721 427
Profit / (loss) and comprehensive income / (loss) attributable to holders of the concern majority shareholders	19 098 381	(2 237 034)	1 721 427

Riga, 7 June 2012

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

U. Magonis

E. Bērziņš

A. Strakšas

Ē. Šmuksts

2011 ANNUAL REPORT OF THE OF THE GROUP OF COMPANIES *LATVIJAS DZELZCEĻŠ*
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 31 DECEMBER 2011

LVL

ASSETS	31.12.2011.	31.12.2010.	31.12.2009.	01.01.2009.
LONG-TERM INVESTMENTS				
Fixed Assets	355 625 718	340 984 927	317 823 985	282 261 500
Intangible investments	864 169	1 069 294	930 602	1 000 326
Advance payments	39 866 755	45 647 585	14 143 709	17 827 088
Long-term financial investments	347 450	347 450	347 450	347 450
TOTAL LONG-TERM INVESTMENTS	396 704 092	388 049 256	333 245 746	301 436 364
CURRENT ASSETS				
Stocks	14 115 588	17 725 509	23 881 239	27 735 997
Trade receivables and other receivables	12 306 316	13 951 472	14 216 820	14 460 401
Corporate income tax	654 881	3 095 217	2 345 204	2 693 408
Cash and cash equivalents	69 884 767	38 012 106	24 022 338	30 313 968
TOTAL CURRENT ASSETS	96 961 552	72 784 304	64 465 601	75 203 774
TOTAL ASSETS	493 665 644	460 833 560	397 711 347	376 640 138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011 (CONTINUED)

LVL

EQUITY AND LIABILITIES	31.12.2011.	31.12.2010.	31.12.2009.	01.01.2009.
OWNERS' EQUITY				
Attributable to the Concern majority shareholders:				
Share capital (equity capital)	114 850 643	114 628 593	114 628 593	90 168 321
Other reserves	23 444 803	21 511 183	19 708 430	32 168 376
Retained earnings from previous years	36 937 493	41 985 659	42 275 654	49 260 186
Comprehensive income for the reporting year	19 098 381	(2 237 034)	1 721 427	6 030 688
Minority share	-	-	-	7 838
TOTAL OWNERS' EQUITY	194 331 320	175 888 401	178 334 104	177 635 409
LIABILITIES				
LONG-TERM LIABILITIES				
Deferred tax liabilities	11 528 816	12 660 449	13 690 554	14 561 750
Provisions	1 642 975	2 244 686	2 835 768	537 190
Loans from credit institutions	63 251 206	64 311 267	55 032 865	54 814 139
Other loans	25 177	486 187	1 551 523	2 549 428
Trade payables	341 747	341 747	738 502	615 381
Deferred income	131 649 238	106 154 430	78 344 400	56 588 946
TOTAL LONG-TERM LIABILITIES	208 439 159	186 198 766	152 193 612	129 666 834
CURRENT LIABILITIES				
Loans from credit institutions	12 993 090	35 830 142	13 702 691	9 204 577
Other loans	573 177	1 176 389	1 166 740	1 153 617
Provisions	28 325 436	26 909 062	15 448 603	19 618 418
Trade payables and other liabilities	26 944 108	22 657 476	25 784 254	30 492 016
Corporate income tax	2 338 018	-	845 303	286 243
Taxes and mandatory state social security contributions	7 388 924	5 264 598	3 949 281	5 466 133
Deferred income	12 332 412	6 908 726	6 286 759	3 116 891
TOTAL CURRENT LIABILITIES	90 895 165	98 746 393	67 183 631	69 337 895
TOTAL LIABILITIES	299 334 324	284 945 159	219 377 243	199 004 729
EQUITY AND LIABILITIES TOTAL	493 665 644	460 833 560	397 711 347	376 640 138

Riga, 7 June 2012

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

U. Magonis

E. Bērziņš

A. Strakšas

Ē. Šmuksts

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2011

LVL

	2011	2010	2009
Cash flow from economic activity			
Funds received from economic transactions	43 895 611	22 157 656	26 575 518
Corporate income tax paid	(1 170 629)	(3 358 522)	(2 090 256)
Net cash flow from economic activity	42 724 982	18 799 134	24 485 262
Cash flow from investment activity			
Dividends received	141 070	195 226	549 354
Proceeds from sale of fixed assets	191 562	144 130	37 909
Acquirement of fixed assets and intangible investments	(24 437 117)	(68 635 817)	(60 565 986)
European Union funds (Cohesion Fund) and state funds	39 125 441	34 832 422	28 145 310
Net cash flow from investment activity	15 020 956	(33 464 039)	(31 833 413)
Cash flow from financial activity			
Loans received	10 325 218	25 000 976	15 471 538
Bank interest received	42 806	127 373	462 350
Credit line received	-	20 513 680	-
Loans repaid	(11 456 935)	(15 296 302)	(9 560 733)
Expenditure on repurchase of leased fixed assets	(1 065 168)	(1 052 769)	(1 039 830)
Paid into the budget for use of state capital	(877 512)	(342 920)	(1 146 987)
Credit line funds repaid	(22 911 077)	-	(3 357 030)
Net cash flow from financial activity	(25 942 668)	28 950 038	829 308
Exchange rate differences	69 391	(295 365)	227 213
Net cash and cash equivalents increase / (decrease)	31 872 661	13 989 768	(6 291 630)
Cash and cash equivalents at the beginning of the reporting year	38 012 106	24 022 338	30 313 968
Cash and cash equivalents at the end of the reporting year	69 884 767	38 012 106	24 022 338

ANNEX

Abbreviated consolidated financial reporting guidelines

These abbreviated consolidated financial statements, consisting of a consolidated statement of financial position on 31 December 2011, consolidated comprehensive income statement calculation for the year to December 31 2011, and consolidated cash flow statement for 2011, are based on the based on the respective information from the audited 2011 financial statements of the State Joint Stock Company "Latvijas dzelzceļš" without making any amendments to it. The audited consolidated financial statement is available from the administration of the SJS "Latvijas dzelzceļš". Thus, these abbreviated consolidated financial statements correspond to the consolidated financial statements.

OPERATING INDICATORS OF THE GROUP OF COMPANIES
LATVIJAS DZELZCEĻŠ

LVL

	2009	2010	2011
Income	284 826 470	257 443 067	318 773 284
Incl. income from freight shipments	187 182 633	169 632 162	222 041 434
Income from sale of infrastructure capacity	38 295 998	34 345 624	34 065 429
Profit from operating activities [^]	4 695 055	(861 981)	23 981 279
Profitability of operating activities[*]	1,6 %	(0,3) %	7,5 %
Profit of the accounting year	1 721 427	(2 237 034)	19 098 381
Profitability of the accounting year^{**}	0,6%	(0,9)%	6,0%
Total liquidity^{***}	1,0	0,7	1,1
Return on assets [∨]	0,4%	(0,5)%	4,0%
Return on equity ^{∨∨}	1,0%	(1,3)%	10,3%
Non-current assets at the end of the accounting year	333 245 746	388 049 256	396 704 092
Assets at the end of the accounting year	397 711 347	460 833 560	493 665 644
Equity at the end of the accounting year	178 334 104	175 888 401	194 331 320
Loans from credit institutions at the end of the accounting year	68 735 556	100 141 409	76 244 296
Capital investments		62 792 616	61 041 963

[^] Profit from operating activities – profit before corporate tax, financial expenses or revenue

^{*} Profitability of operating activities – profit/income from operating activities

^{**} Profitability of the accounting year – profit/income of the accounting year

^{***} Total liquidity – current assets/short-term liabilities

[∨] Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^{∨∨} Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

INDICATORS OF EXPLOITATION OF THE RAILWAY NETWORK

	2009	2010	2011
Volume of the Group's freight turnover (millions of tonne-kilometres)	14 648	13 175	16 551
Train-km of freight shipments by carriers that are not part of the Group (thousands of train-km)	2 438	2 343	2 696
Passenger turnover(millions of passenger-kilometres)	70	79	79
Train-km of passenger transport by carriers that are not part of the Group (thousands of train-km)	6 424	5 774	5 807
Number of employees at the end of the accounting year	12 653	12 336	12 274



Independent Auditor's Report on the Summary Consolidated Financial Statements

To the shareholder of the Joint Stock Company VAS Latvijas Dzelzceļš

Report on the Summary Consolidated Financial Statements

The enclosed Summary Consolidated Financial Statements that comprise the Consolidated Statement on the Financial Standing of 31 December 2011, the Consolidated Combined Income Statement and the Consolidated Cash Flow Statement for the year 2011 have been prepared on the basis of the 2011 audited consolidated financial statements of VAS Latvijas Dzelzceļš and its subsidiaries (the Group). In our report of 7 June 2012 we provided an unqualified opinion regarding those consolidated financial statements.

The Summary Consolidated Financial Statements do not contain all information that should be presented pursuant to the International Financial Statement Standards adopted by the European Union. Therefore reading of the Summary Consolidated Financial Statements cannot substitute reading of the full consolidated financial statements of the Group.

Responsibility of the Management regarding preparation of the Summary Consolidated Financial Statements

The Management is responsible for deriving of the Summary Consolidated Financial Statements from the audited consolidated financial statements, in line with the Annex "Guidelines for Deriving of the Summary Consolidated Financial Statements".

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Consolidated Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Consolidated Financial Statements derived from the 2011 audited consolidated financial statements of the Group correspond in all material aspects to the consolidated financial statements, on the basis of what is stated in the Annex "Guidelines for Deriving of the Summary Consolidated Financial Statements".

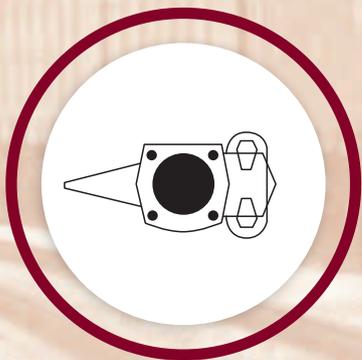
PricewaterhouseCoopers SIA
Company of certified auditors
Licence No. 5

Ahmed Abu Sharkh
Chairman of the Board

Riga, Latvia
7 June 2012

Ilandra Lejiņa
Responsible Certified Auditor
Certificate No. 168





GUNTIS MAČŠ
Chairman of the Board

LIMITED LIABILITY COMPANY
LDZ CARGO

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ CARGO

INCOME STATEMENT

(turnover costs method)

LVL

INDICATOR	2011.	2010.
Net turnover	259 384 149	202 478 381
Production costs of products sold	(234 948 455)	(195 597 689)
Gross profit (of turnover)	24 435 694	6 880 692
Administration costs	(6 384 147)	(6 006 667)
Other operating income	3 494 759	2 065 259
Other operating costs	(10 686 471)	(1 027 166)
Income from interest in the Group's subsidiaries and associates	7 717	18 003
Other interest income and similar income	128 051	128 911
Interest payments and similar costs	(546 553)	(565 644)
Profit before tax	10 449 050	1 493 388
Corporate tax	(2 805 270)	(75 624)
Deferred corporate tax	165 821	53 339
Profit of the accounting period after tax	7 809 601	1 471 103

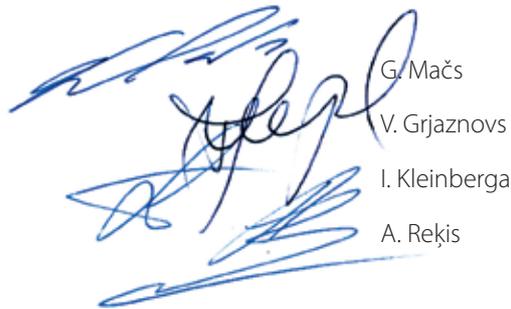
Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member



G. Mačs
V. Grjaznovs
I. Kleinberga
A. Reķis

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ CARGO

BALANCE SHEET

LVL

ASSETS	31.12.2011.	31.12.2010.
1. NON-CURRENT ASSETS		
I. Intangible assets		
1. Concessions, patents, licenses, trademarks and similar rights	4 611	-
I TOTAL	4 611	-
II. Fixed assets		
1. Land and buildings	96 796	107 613
2. Assets invested in leasehold improvement	40 661	85 019
3. Plant and equipment	22 774 798	23 498 051
4. Other fixed assets and inventory	567 411	735 163
5. Investments in fixed assets and costs of construction outstanding	15 328	23 721
II TOTAL	23 494 994	24 449 567
III. Long-term investments		
1. Interest in related companies	100 000	100 000
III TOTAL	100 000	100 000
TOTAL SECTION 1	23 599 605	24 549 567
2. CURRENT ASSETS		
I. Stock		
1. Raw materials, consumables and auxiliary materials	876 953	737 927
2. Advance payments for goods	73 085	17 875
I TOTAL	950 038	755 802
II. Accounts receivable		
1. Trade receivables	4 261 415	3 884 730
2. Amounts owed by related companies	1 025 121	943 792
3. Other receivables	9 067 327	3 668 445
4. Deferred costs	80 799	84 678
II TOTAL	14 434 662	8 581 645
III. Cash	30 100 398	17 310 281
III TOTAL	30 100 398	17 310 281
TOTAL SECTION 2	45 485 098	26 647 728
BALANCE	69 084 703	51 197 295

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ CARGO

BALANCE SHEET

LVL

CAPITAL AND LIABILITIES	31.12.2011.	31.12.2010.
1. EQUITY		
1. Shares or stock (share capital)	608 598	608 598
2. Reserves: other reserves	18 986 464	17 226 729
3. Retained earnings:		
a) retained earnings of previous years	147 110	1 759 735
b) undivided profit of the accounting year	7 809 601	1 471 103
TOTAL SECTION 1	27 551 773	21 066 165
2. ACCRUALS		
1. Accruals for pensions and similar obligations	553 745	2 729 411
2. Other accruals	12 141 521	2 114 193
TOTAL SECTION 2	12 695 266	4 843 604
3. ACCOUNTS PAYABLE		
I. Long-term creditors		
1. Loans from credit institutions	9 244 633	10 600 210
2. Atliktā nodokļa saistības	133 402	299 223
I TOTAL	9 378 035	10 899 433
II. Short-term creditors		
1. Loans from credit institutions	1 425 934	1 416 116
2. Advances from buyers	3 623 242	3 030 686
3. Trade payables	3 409 173	3 572 595
4. Amounts owed to related companies	7 216 500	5 223 647
5. Tax and compulsory state social insurance contributions	2 333 502	255
6. Other creditors	1 364 325	1 074 100
7. Accrued liabilities	86 953	70 694
II TOTAL	19 459 629	14 388 093
TOTAL SECTION 3	28 837 664	25 287 526
BALANCE	69 084 703	51 197 295

Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member



G. Mačs
V. Grjaznovs
I. Kleinberga
A. Reķis

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ CARGO

CASH FLOW STATEMENT

(direct method)

LVL

	2011.		2010.	
	RECEIVED	PAID	RECEIVED	PAID
1. Operating activities				
1.1 received from buyers and customers	256 376 866	-	197 026 336	-
1.2 bank interest received	10 704	-	601	-
1.3 paid for goods and services	-	231 505 753	-	188 327 794
1.4 salaries and CSSIC	-	17 516 054	-	15 903 465
1.5 other operating costs	-	141 010	-	385 179
1.6 interest payments	-	539 200	-	547 225
1.7 other tax payments	-	9 486	-	614
1.8 tax refund from the State Revenue Service	18 957 916	-	15 336 007	-
Total:	275 345 486	249 711 503	212 362 944	205 164 277
<i>Net cash flow from operating activities</i>	25 633 983	-	7 198 667	-
2. Investing activities				
2.1 received dividends	7 717	-	18 003	-
2.2 amounts from sale of fixed assets	136 417	-	376	-
2.3 purchased fixed assets, licenses	-	4 861 738	-	885 595
Total:	144 134	4 861 738	18 379	885 595
<i>Net cash flow from investing activities</i>	-	4 717 604	-	867 216
3. Financing activities				
3.1 credit received	-	-	2 403 590	-
3.2 interest received	93 389	-	128 310	-
3.3 credit paid	-	1 387 016	-	1 214 588
3.4 loan issued for the Group account	-	5 622 432	-	-
3.5 dividends paid	-	1 323 993	-	974 713
Total:	93 389	8 333 441	2 531 900	2 189 301
<i>Net cash flow from financing activities</i>	-	8 240 052	342 599	-
Differences of currency exchange rates	113 790	-	100 728	-
Grand total	12 790 117	-	6 774 778	-
Total increase or decrease of cash	12 790 117		6 774 778	
Balance of cash assets at the end of the year	30 100 398		17 310 281	
at the beginning of the year	17 310 281		10 535 503	
Increase of cash assets	12 790 117		6 774 778	

Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member



G. Mačš
V. Grjaznovs
I. Kleinberga
A. Reķis

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ CARGO

OPERATING INDICATORS

LVL

	2009	2010	2011
Income	216 261 466	202 478 381	259 384 149
Incl. income from freight shipment;	198 147 599	178 089 222	232 188 128
Income from passenger transport	5 772 378	10 730 432	11 247 577
Profit from operating activities [^]	4 465 577	1 912 118	10 859 835
Profitability of operating activities*	2%	1%	4%
Profit of the accounting year	3 610 048	1 471 103	7 809 601
Profitability of the accounting year**	1,7%	0,7%	3%
Total liquidity***	1,5	1,9	2,3
Return on assets [∨]	8%	2,8%	13%
Return on equity ^{∨∨}	19%	7%	32%
Non-current assets at the end of the accounting year	29 417 319	24 549 567	23 599 605
Assets at the end of the accounting year	52 992 457	51 197 295	69 084 703
Equity at the end of the accounting year	20 569 775	21 066 165	27 551 773
Loans from credit institutions at the end of the accounting year	10 371 871	12 016 326	10 670 567
Capital investments	31 253 839	1 236 146	4 784 641

[^] Profit from operating activities – profit before corporate tax, financial expenses or revenue

* Profitability of operating activities – profit/income from operating activities

** Profitability of the accounting year – profit/income of the accounting year

*** Total liquidity – current assets/short-term liabilities

[∨] Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^{∨∨} Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

INDICATORS OF OPERATING ACTIVITIES

	2009	2010	2011
Volume of shipped freights (millions of tons)	53,7	49,2	59,4
Freight turnover (million tkm)	14 648	13175	16550
Number of shipped containers (TEU)	71 142	98 223	101 099
Number of carried passengers (thousands)	276	338	334
Average number of employees per year	2 830	2 734	2 637

ANNEX

Guidelines for Deriving of the Summary Financial Statements

These Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement for the year 2011 ending on 31 December 2011 and the Cash Flow Statement for the year 2011 have been prepared on the basis of the relevant information from the 2011 audited financial statements of SIA LDZ CARGO, without any variations thereof. The audited financial statements are available from the administration of SIA LDZ CARGO. Respectively, these Summary Financial Statements correspond to the financial statements.

Independent Auditor's Report on the Summary Financial Statements
To the member of the Limited Liability Company SIA LDZ Cargo, reg. No. 40003788421

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the year that ended on 31 December 2011 have been prepared on the basis of the 2011 audited financial statements of **SIA LDZ Cargo**. In our report of 18 April 2012 we provided an unqualified opinion regarding those financial statements. Neither the financial statements nor the Summary Financial Statements reflect any events that occurred after issuing of our opinion on the financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of **SIA LDZ Cargo**.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the chapter "Guidelines for Deriving of the Summary Financial Statements" of the Annex.

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the 2011 audited financial statements of **SIA LDZ Cargo** correspond in all material aspects to the financial statements prepared according to the **chapter "Guidelines for Deriving of the Summary Financial Statements"** of the Annex.

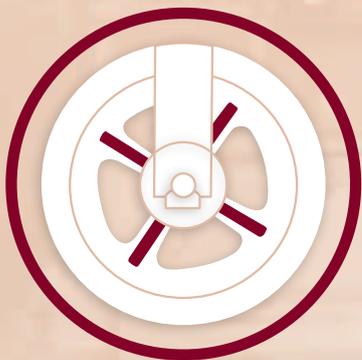
Limited Partnership S. Vilcānes audits
Business company licence No. 88

Sandra Vilcāne
Responsible certified auditor
Certificate No. 30



Riga, Latvia
18 June 2012





ĢIRTS KALNBIRZE
Chairman of the Board

LIMITED LIABILITY COMPANY
LDZ INFRASTRUKTŪRA

INCOME STATEMENT

(turnover costs method)

LVL

INDICATOR	2011.	2010.
Net turnover	11056575	13339796
Production costs of products sold	(10032098)	(12005554)
Gross profit (of turnover)	1024477	1334242
Administration costs	(941588)	(1043126)
Other operating income	93541	77149
Other operating costs	(112016)	(127817)
Other interest income and similar income	44	31
Interest payments and similar costs	(9620)	(4268)
Profit before tax	54838	236211
Corporate tax	(45155)	(85684)
Deferred corporate tax	35948	27216
Other taxes	(345)	(689)
Profit of the accounting period after tax	45286	177054

Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member

Ģ. Kalnbirze

V. Daļeckis

G. Lapiņš

M. Kabaļska

BALANCE SHEET

LVL

ASSETS	31.12.2011.	31.12.2010.
1. NON-CURRENT ASSETS		
I. Intangible assets		
1. Concessions, patents, licenses, trademarks and similar rights	1699	2491
I TOTAL	1699	2491
II. Fixed assets		
1. Land and buildings	184370	126672
2. Assets invested in leasehold improvement	44515	74192
3. Plant and equipment	2271382	2482305
4. Other fixed assets and inventory	437753	427233
5. Advance payments on fixed assets	31317	-
II TOTAL	2969337	3110402
III. Long-term investments	2971036	3112893
1. Interest in related companies		
III TOTAL		
TOTAL SECTION 1		
2. CURRENT ASSETS		
I. Stock		
1. Raw materials, consumables and auxiliary materials	312954	387047
2. Finished products and goods for sale	15336	8113
3. Advance payments for goods	103774	181123
I TOTAL	432064	576283
II. Accounts receivable		
1. Trade receivables	122577	89867
2. Amounts owed by related companies	2666263	1326000
3. Other receivables	133056	114537
4. Deferred costs	9992	78562
II TOTAL	2931888	1608966
III. Cash	25592	427347
III TOTAL	25592	427347
TOTAL SECTION 2	3389544	2612596
BALANCE	6360580	5725489

BALANCE SHEET

LVL

CAPITAL AND LIABILITIES	31.12.2011.	31.12.2010.
1. EQUITY		
1. Shares or stock (share capital)	3789849	3789849
2. Other reserves	7589	7589
3. Retained earnings of previous years	200380	182675
4. Undivided profit of the accounting year	45286	177054
TOTAL SECTION 1	4043104	4157167
2. ACCRUALS		
1. Other accruals	174533	147601
TOTAL SECTION 2	174533	147601
3. ACCOUNTS PAYABLE		
I. Long-term creditors		
1. Other loans	25177	72092
2. Deferred tax liability	119700	155648
I TOTAL	144877	227740
II. Short-term creditors		
1. Other loans	43618	54238
2. Advances from buyers	229390	229390
3. Trade payables	640629	414835
4. Amounts owed to related companies	388082	94646
5. Tax and compulsory state social insurance contributions	494855	236619
6. Other creditors	189192	135102
7. Accrued liabilities	12300	28151
II TOTAL	1998066	1192981
TOTAL SECTION 3	2142943	1420721
BALANCE	6360580	5725489

Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member

Ģ. Kalnbirze

V. Daļeckis

G. Lapiņš

M. Kabaļska

CASH FLOW STATEMENT

(direct method)

LVL

	2011.		2010.	
	RECEIVED	PAID	RECEIVED	PAID
1. Operating activities				
1.1 received from buyers and customers	12183436		17953847	
1.2 bank interest received	44		31	
1.3 paid for goods and services		6313446		10278277
1.4 salaries and CSSIC		3721518		4043307
1.5 other operating costs		61443		45332
1.6 interest payments		8781		4268
1.7 corporate tax payments		88699		225894
1.8 other tax payments		1738103		2174007
Total:	12183480	11931990	17953878	16771085
<i>Net cash flow from operating activities</i>	251490		1182793	
2. Investing activities				
2.1 amounts from sale of fixed assets	776			
2.2 purchased fixed assets, licenses		647986		652620
Total:	776	647986		652620
<i>Net cash flow from investing activities</i>		647210		652620
3. Financing activities				
3.1 amounts paid on financial leasing obligations		57529		43345
3.2 paid to the state budget for utilisation of state capital		159349		67565
3.3 overdraft	214370			
Total:	214370	216878		110910
<i>Net cash flow from financing activities</i>		2508		110910
Differences of currency exchange rates		3527		10545
Grand total		3527		10545
<i>Total increase or decrease of cash</i>	(401755)		408718	
Balance of cash assets				
at the end of the year	25592		427347	
at the beginning of the year	427347		18629	
Increase of cash assets	(401755)		408718	

Riga, 18 June 2012

Chairman of the Board

Board Member

Board Member

Board Member

Ģ. Kalnbirze

V. Daļeckis

G. Lapiņš

M. Kabaļska

2011 ANNUAL REPORT OF THE LIMITED LIABILITY COMPANY LDZ INFRASTRUKTŪRA

OPERATING INDICATORS

LVL

	2009	2010	2011
Income	17 161 440	13 339 796	11 056 575
Profit from operating activities [^]	301 188	239 759	64 069
Profitability of operating activities[*]	2%	2%	1%
Profit of the accounting year	250 240	177 054	45 286
Profitability of the accounting year^{**}	1.5%	1.3%	0.4%
Total liquidity^{***}	1.5	2.2	1,7
Return on assets [∨]	3.6%	2.7%	0,7%
Return on equity ^{∨∨}	6.4%	4.3%	1.1%
Non-current assets at the end of the accounting year	3 246 414	3 112 893	2 971 036
Assets at the end of the accounting year	7 260 407	5 725 489	6 360 580
Equity at the end of the accounting year	4 047 678	4 157 167	4 043 104
Capital investments	604 673	703 920	616 669

[^] Profit from operating activities – profit before corporate tax, financial expenses or revenue

^{*} Profitability of operating activities – profit/income from operating activities

^{**} Profitability of the accounting year – profit/income of the accounting year

^{***} Total liquidity – current assets/short-term liabilities

[∨] Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^{∨∨} Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

INDICATORS OF RAILWAY NETWORK MAINTENANCE

	2009	2010	2011
Capital repairs of railway tracks (type A)	74 km	53 km	35 km
Repairs of railway tracks (type B)	9 km	19 km	21 km
Replacement of track turnouts	40 gab.	39 gab.	67 gab.

ANNEX

Guidelines for Deriving of the Summary Financial Statements
These Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011 and the Income Statement for the year 2011 ending on 31 December 2011 have been prepared on the basis of the relevant information from the 2011 audited financial statements of SIA LDZ INFRASTRUKTŪRA, without any variations thereof. The audited financial statements are available from the administration of SIA LDZ INFRASTRUKTŪRA. Respectively, these Summary Financial Statements correspond to the financial statements.

Independent Auditor's Report on the Summary Financial Statements To the member of the Limited Liability Company SIA LDZ Infrastruktūra, reg. No. 40003788258

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the year that ended on 31 December 2011 have been prepared on the basis of the 2011 audited financial statements of **SIA LDZ Infrastruktūra**. In our report of 19 April 2012 we provided an unqualified opinion regarding those financial statements. Neither the financial statements nor the Summary Financial Statements reflect any events that occurred after issuing of our opinion on the financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of **SIA LDZ Infrastruktūra**.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the chapter "Guidelines for Deriving of the Summary Financial Statements" of the Annex.

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the 2011 audited financial statements of **SIA LDZ Infrastruktūra** correspond in all material aspects to the financial statements prepared according to the **chapter "Guidelines for Deriving of the Summary Financial Statements"** of the Annex.

Limited Partnership S. Vilcānes audits
Business company licence No. 88

Sandra Vilcāne
Responsible certified auditor
Certificate No. 30

Riga, Latvia
18 June 2012







SVETLANA BERGA
Chairwoman of the Board

LIMITED LIABILITY COMPANY
LDZ RITOŠĀ SASTĀVA SERVISS

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ RITOŠĀ SASTĀVA SERVISS*

INCOME STATEMENT

(turnover costs method)

LVL

INDICATOR	2011.	2010.
Net turnover	81 153 497	61 589 328
Production costs of products sold	(79 388 922)	(59 341 637)
Gross profit (of turnover)	1 764 575	2 247 691
Administration costs	(2 331 685)	(2 184 648)
Other operating income	2 071 282	1 579 846
Other operating costs	(1 211 730)	(1 121 226)
Other interest income and similar income	475	170
Interest payments and similar costs	(88 437)	(30 987)
Profit before tax	204 480	490 846
Corporate tax	-	(6 150)
Deferred corporate tax	(45 833)	(303 778)
Other taxes	(31 383)	(32 526)
Profit of the accounting period after tax	127 264	148 392

Riga, 18 June 2012

Chairwoman of the Board

Board Member

Board Member

Board Member

S. Berga

I. Rullis

G. Rjazancevs

S. Vētra

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ RITOŠĀ SASTĀVA SERVISS*

BALANCE SHEET

LVL

ASSETS	31.12.2011.	31.12.2010.
1. NON-CURRENT ASSETS		
I. Intangible assets		
1. Concessions, patents, licenses, trademarks and similar rights	3 267	6 530
I TOTAL	3 267	6 530
II. Fixed assets		
1. Land and buildings	3 887 529	3 645 095
2. Assets invested in leasehold improvement	-	1 830
3. Plant and equipment	23 196 136	18 517 040
4. Other fixed assets and inventory	445 827	475 961
5. Investments in fixed assets and costs of construction outstanding	366 134	280 075
6. Advance payments on fixed assets	8 688	238 048
II TOTAL	27 904 314	23 158 049
TOTAL SECTION 1	27 907 581	23 164 579
2. CURRENT ASSETS		
I. Stock		
1. Raw materials, consumables and auxiliary materials	7 121 540	7 542 091
2. Products outstanding	185 315	85 602
3. Advance payments for goods	111 868	2 235
4. Working animals and food- producing animals	5	5
I TOTAL	7 418 728	7 629 933
II. Accounts receivable		
1. Trade receivables	660 538	298 868
2. Amounts owed by related companies	3 688 292	2 528 338
3. Other receivables	61 574	292 377
4. Deferred costs	93 431	339 959
II TOTAL	4 503 835	3 459 542
III. Cash	2 049 730	1 867 418
III TOTAL	2 049 730	1 867 418
TOTAL SECTION 2	13 972 293	12 956 893
BALANCE	41 879 874	36 121 472

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ RITOŠĀ SASTĀVA SERVISS*
BALANCE SHEET

LVL

CAPITAL AND LIABILITIES	31.12.2011.	31.12.2010.
1. EQUITY		
1. Shares or stock (share capital)	19 853 137	19 853 137
2. Reserves: other reserves	2 572 999	2 572 999
3. Retained earnings: retained earnings of previous years	1 195 288	1 180 449
4. Retained earnings: undivided profit of the accounting year	127 264	148 392
TOTAL SECTION 1	23 748 688	23 754 977
2. ACCRUALS		
1. Other accruals	2 066 024	2 515 543
TOTAL SECTION 2	2 066 024	2 515 543
3. ACCOUNTS PAYABLE		
1. Long-term creditors		
1. Deferred tax liability	512 432	466 599
I TOTAL	512 432	466 599
II. Short-term creditors		
1. Other loans	3 631 725	-
2. Advances from buyers	819 672	413 223
3. Trade payables	6 777 793	5 097 814
4. Amounts owed to related companies	1 117 487	1 993 290
5. Tax and compulsory state social insurance contributions	2 591 863	1 348 003
6. Other creditors	607 108	520 562
7. Deferred income	182	312
8. Accrued liabilities	6 900	11 149
II TOTAL	15 552 730	9 384 353
TOTAL SECTION 3	16 065 162	9 850 952
BALANCE	41 879 874	36 121 472

Riga, 18 June 2012

Chairwoman of the Board

Board Member

Board Member

Board Member

S. Berga

I. Rullis

G. Rjazancevs

S. Vētra

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ RITOŠĀ SASTĀVA SERVISS*

CASH FLOW STATEMENT

(direct method)

LVL

	2011.		2010.	
	RECEIVED	PAID	RECEIVED	PAID
1. Operating activities				
1.1 received from buyers and customers	98 852 040	-	75 056 165	-
1.2 bank interest received	475	-	170	-
1.3 tax refund from the State Revenue Service	9 111	-	183	-
1.4 other income	10 439	-	-	-
1.5 paid for goods and services	-	62 623 432	-	37 981 710
1.6 salaries and CSSIC	-	11 141 725	-	9 549 108
1.7 other operating costs	-	393 052	-	803 611
1.8 interest payments	-	81 580	-	13 738
1.9 corporate tax payments	-	37 440	-	290 826
1.10 other tax payments	-	26 873 267	-	22 172 914
Total:	98 872 065	101 150 496	75 056 518	70 811 907
<i>Net cash flow from operating activities</i>	(2 278 431)	-	4 244 611	-
2. Investing activities				
2.1 amounts from sale of fixed assets	1 789	-	437	-
2.2 purchased fixed assets, licenses	-	934 761	-	964 223
Total:	1 789	934 761	437	964 223
<i>Net cash flow from investing activities</i>	(932 972)	-	(963 786)	-
3. Financing activities				
3.1 credit received	-	-	2 500 000	-
3.2 credit paid	-	-	-	2 500 000
3.3 overdraft received	3 631 725	-	-	-
3.4 overdraft paid	-	-	-	2 498 324
3.5 cash paid on financial leasing obligations	-	953	-	2 738
3.6 dividends delivered to LDZ	-	133 553	-	152 295
Total:	3 631 725	134 506	2 500 000	5 153 357
<i>Net cash flow from financing activities</i>	3 497 219	-	(2 653 357)	-
Incorrect transfers	-	-	13	-
Differences of currency exchange rates	-	103 504	-	310 942
Grand total	102 505 579	102 323 267	77 556 968	77 240 429
<i>Total increase or decrease of cash</i>	182 312		316 539	
Balance of cash assets at the end of the year	2 049 730		1 867 418	
at the beginning of the year	1 867 418		1 550 879	
Increase of cash assets	182 312		316 539	

ANNEX

Guidelines for Deriving of the Summary Financial Statements

These Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement for the year 2011 ending on 31 December 2011 and the Cash Flow Statement for the year 2011 ending on 31 December 2011 have been prepared on the basis of the relevant information from the 2011 audited financial statements of SIA *LDZ ritošā sastāva serviss*, without any variations thereof. The audited financial statements are available from the administration of SIA *LDZ ritošā sastāva serviss*. Respectively, these Summary Financial Statements correspond to the financial statements.

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ RITOŠĀ SASTĀVA SERVISS*

OPERATING INDICATORS

LVL

	2009	2010	2011
Income	66 755 972	61 589 328	81 153 497
Including:			
Income from locomotive repairs	20 218 472	12 249 613	14 941 987
Income from wagon repairs	8 953 720	6 994 884	8 991 140
Income from sale of diesel fuel	33 955 931	34 690 313	48 417 839
Income from rolling stock rentals	-	4 225 094	5 150 108
Other income	3 627 849	3 429 424	3 652 423
Profit from operating activities [^]	818 873	489 137	261 059
Profitability of operating activities[*]	1,23 %	0,79 %	0,32 %
Profit of the accounting year	564 055	148 392	127 264
Profitability of the accounting year^{**}	0,84%	0,24%	0,16%
Total liquidity^{***}	1,72	1,38	0,9
Return on assets [∨]	2,04 %	0,42 %	0,33 %
Return on equity ^{∨∨}	3,63 %	0,62 %	0,54 %
Non-current assets at the end of the accounting year	21 151 208	23 164 579	27 907 581
Assets at the end of the accounting year	35 225 366	36 121 472	41 879 874
Equity at the end of the accounting year	23 758 880	23 754 977	23 748 688
Loans from credit institutions at the end of the accounting year	-	-	-
Capital investments	1 182 951	4 042 778	10 360 859

[^] Profit from operating activities – profit before corporate tax, financial expenses or revenue

^{*} Profitability of operating activities – profit/income from operating activities

^{**} Profitability of the accounting year – profit/income of the accounting year

^{***} Total liquidity – current assets/short-term liabilities

[∨] Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^{∨∨} Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

INDICATORS OF OPERATING ACTIVITIES

	2009	2010	2011
	19 570	14 156,5	15 607
Locomotive repairs (locomotives), including:			
- GR (main repairs)	3	1,5	5,5
- VR (medium repairs)	12	15	23
- TR-3 (regular repairs TR-3)	69	50	49,5
- TR-2 (regular repairs TR-2)	-	-	3
- TR-1 (regular repairs TR-1)	209	181	205
- TA-3 (technical maintenance TA-3)	1 289	1 108	1 236
- TA-2 (technical maintenance TA-2)	17 988	12 801	14 085
Wagon repairs (wagons), including:	2 592	2 182	2 407
- DR (wagon depot repairs)	2 275	1 956	2 083
- KR (capital repairs of wagons)	143	69	90
- KRP (extension of useful life of wagons)	174	157	234
Diesel fuel sales, tons	60 007,99	51 795,84	59 505,48
Average number of employees at the company per year	1 387	1 332	1 291

**Independent Auditor's Report on the Summary Financial Statements
To the member of the Limited Liability Company SIA LDZ ritošā sastāva serviss,
reg. No. 40003788351**

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the year that ended on 31 December 2011 have been prepared on the basis of the 2011 audited financial statements of **SIA LDZ ritošā sastāva serviss**. In our report of 20 April 2012 we provided an unqualified opinion regarding those financial statements. Neither the financial statements nor the Summary Financial Statements reflect any events that occurred after issuing of our opinion on the financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of **SIA LDZ ritošā sastāva serviss**.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the chapter "Guidelines for Deriving of the Summary Financial Statements" of the Annex.

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the 2011 audited financial statements of **SIA LDZ ritošā sastāva serviss** correspond in all material aspects to the financial statements prepared according to the chapter "**Guidelines for Deriving of the Summary Financial Statements**" of the Annex.

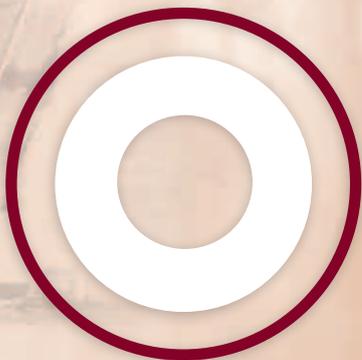
Limited Partnership S. Vilcānes audits
Business company licence No. 88

Sandra Vilcāne
Responsible certified auditor
Certificate No. 30

Riga, Latvia
18 June 2012







ARNIS MACULĒVIČS
Chairman of the Board

LIMITED LIABILITY COMPANY
LDZ APSARDZE

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ APSARDZE*

INCOME STATEMENT

(turnover costs method)

LVL

INDICATOR	2011.	2010.
Net turnover	3593541	3594050
Production costs of products sold	3272472	3259849
Gross profit (of turnover)	321069	334201
Administration costs	295664	230300
Other operating income	14449	6630
Other operating costs	23922	16224
Other interest income and similar income	346	2602
Profit before tax	16278	96909
Corporate tax	2750	15001
Other taxes	403	383
Profit of the accounting period after tax	13125	81525

Riga, 14 March 2012

Chairman of the Board

Board Member



A. Maculēvičs

L. Balčiņa

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ APSARDZE*

BALANCE SHEET

LVL

ASSETS	31.12.2011.	31.12.2010.
1. NON-CURRENT ASSETS		
I. Intangible assets		
1. Concessions, patents, licenses, trademarks and similar rights	21	1209
I TOTAL	21	1209
II. Fixed assets		
1. Land and buildings	138646	154052
2. Other fixed assets and inventory	63137	34892
II TOTAL	201783	188944
III. Long-term investments		
III TOTAL		
TOTAL SECTION 1	201804	190153
2. CURRENT ASSETS		
I. Stock		
1. Raw materials, consumables and auxiliary materials	27499	9805
2. Advance payments for goods	1117	1136
3. Working animals and food-producing animals	1	
I TOTAL	28617	10941
II. Accounts receivable		
1. Trade receivables	24278	23512
2. Amounts owed by related companies	510502	467033
3. Other receivables	16079	22064
4. Deferred costs	16036	14179
II TOTAL	566895	526788
III. Cash	140811	307349
III TOTAL	140811	307349
TOTAL SECTION 2	736323	845078
BALANCE	938127	1035231

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ APSARDZE*
BALANCE SHEET

LVL

CAPITAL AND LIABILITIES	31.12.2011.	31.12.2010.
1. EQUITY		
1. Shares or stock (share capital)	210000	210000
2. Reserves: reserve stated under Articles of Association		27966
Other reserves	104350	
3. Retained earnings: retained earnings of previous years	8152	76383
undivided profit of the accounting year	13125	81525
TOTAL SECTION 1	335627	395874
2. ACCRUALS		
1. Other accruals	129910	130953
TOTAL SECTION 2	129910	130953
3. ACCOUNTS PAYABLE		
I. Long-term creditors		
I TOTAL		
II. Short-term creditors		
3. Advances from buyers	152	49
4. Trade payables	37594	123127
5. Amounts owed to related companies	19808	30100
6. Tax and compulsory state social insurance contributions	237831	218708
7. Other creditors	175603	134692
9. Accrued liabilities	1602	1728
II TOTAL	472590	508404
TOTAL SECTION 3	472590	508404
BALANCE	938127	1035231

Riga, 14 March 2012

Chairman of the Board

Board Member



A. Maculēvičs

L. Balčiņa

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ APSARDZE*

CASH FLOW STATEMENT

(direct method)

LVL

	2011.		2010.	
	RECEIVED	PAID	RECEIVED	PAID
1. Operating activities				
1.1 received from buyers and customers	4334271		4253076	
1.2 bank interest received	346		2602	
1.3 paid for goods and services		879677		809522
1.4 salaries and CSSIC		2381163		2265919
1.5 other operating costs		3193		1125
1.7 corporate tax payments		14515		43485
1.8 other tax payments		1098062		1038383
Total:	4334617	4376610	4255678	4158434
<i>Net cash flow from operating activities</i>	-41993		97244	
2. Investing activities				
2.1 amounts from sale of fixed assets	820			
2.2 purchased fixed assets, licenses		52456		19857
Total:	820	52456		19857
<i>Net cash flow from investing activities</i>	-51636		-19857	
3. Financing activities				
3.1 dividends delivered to LDZ		73373		26808
Total:		73373		26808
<i>Net cash flow from financing activities</i>	-73373		-26808	
Incorrect transfers	187		1538	
Differences of currency exchange rates	277			40
Grand total	-166538		52077	
<i>Total increase or decrease of cash</i>	-166538		52077	
Balance of cash assets at the end of the year	140811		307349	
at the beginning of the year	307349		255272	
Increase of cash assets	-166538		52077	

Riga, 14 March 2012

Chairman of the Board

Board Member



A. Maculēvičs

L. Baltiņa

ANNEX

Guidelines for Deriving of the Summary Financial Statements
These Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011 and the Income Statement for the year 2011 ending on 31 December 2011 have been prepared on the basis of the relevant information from the 2011 audited financial statements of SIA *LDZ apsardze*, without any variations thereof. The audited financial statements are available from the administration of SIA *LDZ apsardze*. Respectively, these Summary Financial Statements correspond to the financial statements.

2011 ANNUAL REPORT
OF THE LIMITED LIABILITY COMPANY *LDZ APSARDZE*
OPERATING INDICATORS

	2009	2010	2011
Income	3869122	3594050	3593541
Incl. income from physical security;	3562195	3139235	3132882
Income from technical security	299348	447487	454936
Profit from operating activities [^]	386566	334201	321069
Profitability of operating activities*	10%	9%	9%
Profit of the accounting year	99289	81525	13125
Profitability of the accounting year**	2,6%	2,3%	0,4%
Total liquidity***	1,7	1,7	1,6
Return on assets [∨]	11,1%	8,5%	1,3%
Return on equity ^{∨∨}	34,1%	22,1%	3,6%
Non-current assets at the end of the accounting year	203948	190153	201804
Assets at the end of the accounting year	888723	1035231	938127
Equity at the end of the accounting year	341157	395874	335627
Loans from credit institutions at the end of the accounting year	0	0	0
Capital investments	51082	19857	52456

[^] Profit from operating activities – profit before corporate tax, financial expenses or revenue

* Profitability of operating activities – profit/income from operating activities

** Profitability of the accounting year – profit/income of the accounting year

*** Total liquidity – current assets/short-term liabilities

[∨] Return on assets – profit of the accounting year/average assets
(assets at the beginning of the accounting year + assets at the end of the accounting year/2)

^{∨∨} Return on equity – profit of the accounting year/average equity
(equity at the beginning of the accounting year + equity at the end of the accounting year/2)

	2009	2010	2011
Wagons under security (pieces)	175487	93011	86109
Number of employees at the end of the accounting year	401	397	411

**Independent Auditor's Report on the Summary Financial Statements
To the member of the Limited Liability Company SIA LDZ apsardze, reg. No. 40003620112**

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the year that ended on 31 December 2011 have been prepared on the basis of the 2011 audited financial statements of **SIA LDZ apsardze**. In our report of 5 April 2012 we provided an unqualified opinion regarding those financial statements. Neither the financial statements nor the Summary Financial Statements reflect any events that occurred after issuing of our opinion on the financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of **SIA LDZ apsardze**.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the chapter "Guidelines for Deriving of the Summary Financial Statements" of the Annex.

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the 2011 audited financial statements of **SIA LDZ apsardze** correspond in all material aspects to the financial statements prepared according to the **chapter "Guidelines for Deriving of the Summary Financial Statements"** of the Annex.

Limited Partnership S. Vilcānes audits
Business company licence No. 88

Sandra Vilcāne
Responsible certified auditor
Certificate No. 30



Riga, Latvia
18 June 2012





AINIS STÜRMANIS
Chairman of the Board

JOINT STOCK COMPANY
LATRAILNET

2011 ANNUAL REPORT
OF THE JOINT STOCK COMPANY *LATRILNET*

INCOME STATEMENT

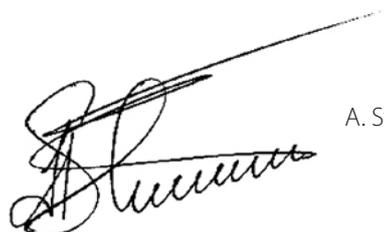
(turnover costs method)

LVL

INDICATOR	27.12.2010.-31.12.2011.
Net turnover	666 068
Production costs of products sold	(326 907)
Gross profit (of turnover)	339 161
Administration costs	(325 130)
Other operating income	1 187
Other operating costs	(7 983)
Other interest income and similar income	83
Profit before tax	7 318
Corporate tax	(3 635)
Profit of the accounting period after tax	3 683

Riga, 12 March 2012

Chairman of the Board



A. Stürmanis

2011 ANNUAL REPORT
OF THE JOINT STOCK COMPANY *LATRILNET*

BALANCE SHEET

LVL

ASSETS	31.12.2011.
1. NON-CURRENT ASSETS	
II. Fixed assets	
1. Other fixed assets and inventory	20 366
II TOTAL	20 366
TOTAL SECTION 1	20 366
2. CURRENT ASSETS	
I. Stock	
1. Raw materials, consumables and auxiliary materials	758
2. Advance payments for goods and services	3 315
I TOTAL	4 073
II. Accounts receivable	
1. Other receivables	1 253
2. Deferred costs	4 777
II TOTAL	6 030
III. Cash	
III TOTAL	90 787
TOTAL SECTION 2	100 890
BALANCE	121 256

2011 ANNUAL REPORT
OF THE JOINT STOCK COMPANY *LATRILNET*

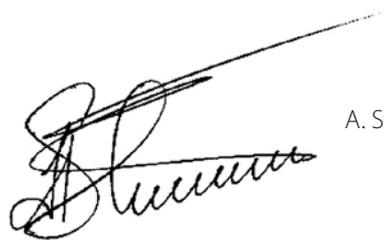
BILANCE

LVL

CAPITAL AND LIABILITIES	31.12.2011.
1. EQUITY	
1. Shares or stock (share capital)	25 000
2. Retained earnings: undivided profit of the accounting year	3 683
TOTAL SECTION 1	28 683
2. ACCRUALS	
1. Other accruals	11 364
TOTAL SECTION 2	11 364
3. ACCOUNTS PAYABLE	
II. Short-term creditors	
1. Trade payables	6 708
2. Amounts owed to related companies	9 158
3. Tax and compulsory state social insurance contributions	41 861
4. Other creditors	20 982
5. Accrued liabilities	2 500
II TOTAL	81 209
TOTAL SECTION 3	81 209
BALANCE	121 256

Riga, 12 March 2012

Chairman of the Board



A. Stürmanis

2011 ANNUAL REPORT
OF THE JOINT STOCK COMPANY LATRAILNET

CASH FLOW STATEMENT

(direct method)

LVL

	2011.	
	RECEIVED	PAID
1. Operating activities		
1.1 received from buyers and customers	812 520	
1.2 bank interest received	83	
1.3 other income	11 132	
1.4 paid for goods and services		187 426
1.5 salaries and CSSIC		366 179
1.6 other operating costs		4 150
1.7 other tax payments		175 853
Total:	823 735	733 608
<i>Net cash flow from operating activities</i>	823 735	733 608
2. Investing activities		
2.1 purchased fixed assets, licenses		24 141
Total:		24 141
<i>Net cash flow from investing activities</i>		24 141
3. Differences of currency exchange rates		199
Grand total	823 735	757 948
<i>Total increase or decrease of cash</i>	65 787	
Balance of cash assets as	at 31.12.2011	90 787
	as at 27.12.2010	25 000
Increase of cash assets		65 787

Riga, 12 March 2012

Chairman of the Board



A. Stürmanis

2011 ANNUAL REPORT
OF THE JOINT STOCK COMPANY *LATRILNET*

OPERATING INDICATORS

for the period from 27 December 2010 to 31 December 2011

LVL

FINANCIAL INDICATOR	CALCULATION	IN THE ACCOUNTING PERIOD
Effectiveness		
1. Asset turnover	Net sales/total assets	5.5
2. Fixed asset turnover	Net sales /fixed assets	32.7
3. Current asset turnover	Net sales /current assets	6.6
Liquidity		
4. Current Ratio	Current assets/short-term liabilities	1.24
5. Quick Ratio	Current assets – inventory/ short-term liabilities	1.19
6. Cash Ratio	Cash + securities/ short-term liabilities	1.12
Solvency indicators		
7. Debt Ratio	Total liabilities/assets	67%
8. Debt to Equity Ratio	Total liabilities/ shareholders equity	2.83
Leverage indicators		
9. Equity ratio	Shareholders equity/ non-current assets	1.41
10. Capital to non-current assets ratio	(Shareholders equity + Long-term liabilities)/non-current assets	1.41
11. Short-term liabilities to current assets	Short-term liabilities/ current assets	80%
12. Net working capital	Current assets – short-term liabilities	19 681

GUIDELINES FOR DERIVING OF THE SUMMARY FINANCIAL STATEMENTS

These Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement, the Cash Flow Statement and the summary of financial indicators for the period from 27 December 2010 to 31 December 2011 have been prepared on the basis of the relevant information from the audited financial statements of *AS LatRailNet* for the period from 27 December 2010 to 31 December 2011, without any variations thereof. The audited financial statements are available from the administration of *AS LatRailNet*. Respectively, these Summary Financial Statements correspond to the financial statements.

Riga, 12 March 2012

Chairman of the Board



A. Stürmanis

**Independent Auditor's Report on the Summary Financial Statements
To the shareholder of the Joint Stock Company (AS) LatRailNet, reg. No. 40103361063**

Report on the Summary Financial Statements

The enclosed Summary Financial Statements that comprise the Balance Sheet as at 31 December 2011, the Income Statement and the Cash Flow Statement for the period that ended on 31 December 2011 have been prepared on the basis of the audited financial statements of **AS LatRailNet** for the period from 27 December 2010 to 31 December 2011. In our report of 12 March 2012 we provided an unqualified opinion regarding those financial statements. Neither the financial statements nor the Summary Financial Statements reflect any events that occurred after issuing of our opinion on the financial statements.

The Summary Financial Statements do not contain all information that should be presented pursuant to the Annual Reports Act. Therefore reading of the Summary Financial Statements cannot substitute reading of the full financial statements of **AS LatRailNet**.

Responsibility of the Management regarding preparation of the Summary Financial Statements

The Management is responsible for deriving of the Summary Financial Statements from the audited financial statements, in line with the chapter "Guidelines for Deriving of the Summary Financial Statements" of the Annex.

Responsibility of the Auditor

We are responsible for the opinion that we express regarding these Summary Financial Statements on the basis of the procedures performed by us subject to International Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the enclosed Summary Financial Statements derived from the audited financial statements of **AS LatRailNet** for the period from 27 December 2010 to 31 December 2011 correspond in all material aspects to the financial statements prepared according to the **chapter "Guidelines for Deriving of the Summary Financial Statements"** of the Annex.

Limited Partnership S. Vilcānes audits
Business company licence No. 88

Sandra Vilcāne
Responsible certified auditor
Certificate No. 30



Riga, Latvia
18 June 2012



