

2013

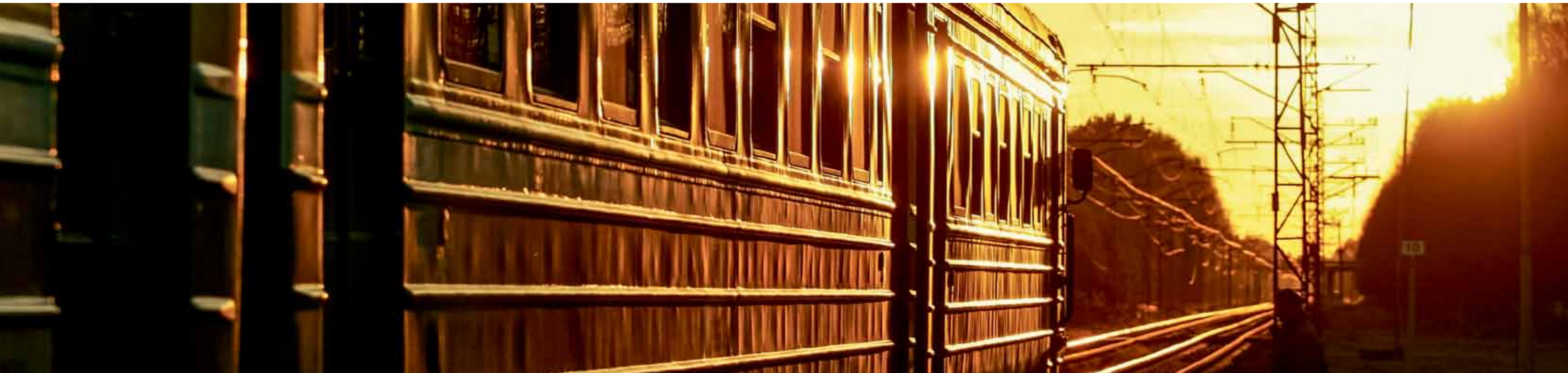
2013



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This annual report contains information about the business performance of the VAS *Latvijas dzelzceļš* (state joint-stock company) and the subsidiaries thereof – SIA (limited liability company) *LDZ infrastruktūra*, *SIA LDZ ritošā sastāva serviss*, *SIA LDZ apsardze*, *SIA LDZ Cargo* and the subsidiary thereof *SIA LDZ Cargo Loģistika* and AS (joint stock company) *LatRailNet* in 2013. The report includes the condensed financial statements of VAS *Latvijas dzelzceļš* and the subsidiaries thereof and the condensed consolidated financial statements to provide a many-sided and unbiased insight into the operations and the performance of the companies belonging to the *Latvijas dzelzceļa* group (the Group).

VAS *Latvijas dzelzceļš* has been operational since 1919 and is one of the first railway transport companies in the Baltics. According to the Strategy 2030 that was approved in 2013, the Group's mission is to ensure the managing of railway infrastructure and logistics services in the interests of the Latvian national economy. In turn, according to its development vision the Group aims to become the leader in the transport industry in the Baltics – an advanced, efficient and environmentally friendly group of infrastructure and logistics companies.

The strategic objectives set for the Group's day-to-day activities are as follows:

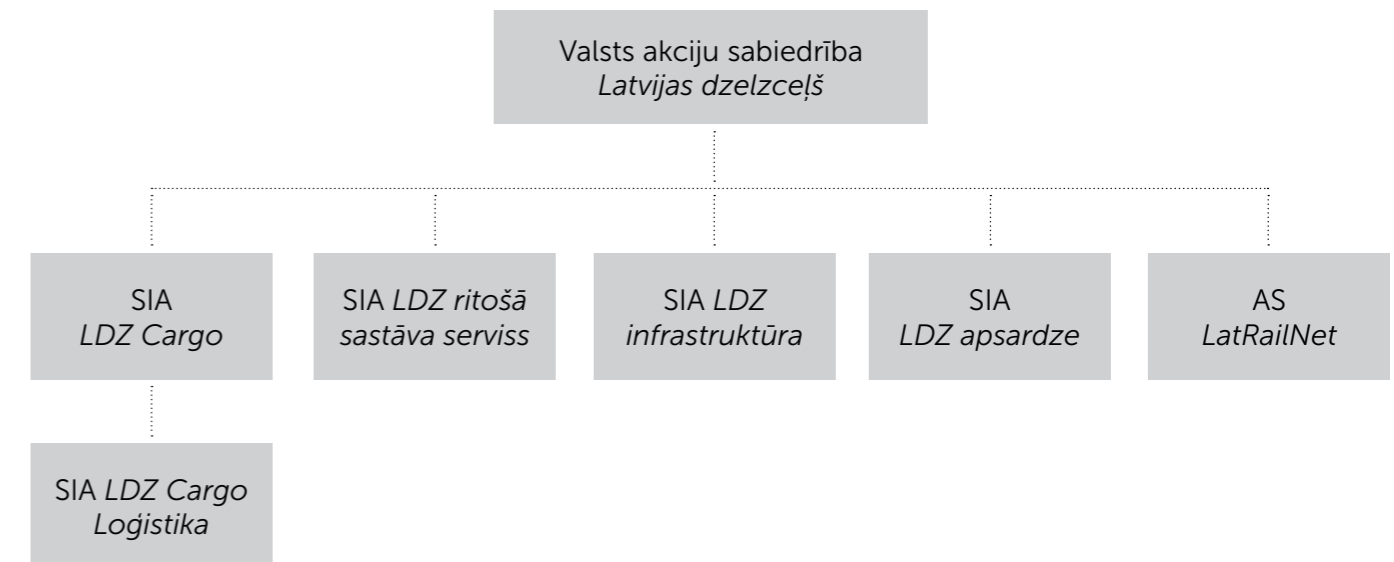
- Ensure railway infrastructure, transport

and logistic services at a competitive level of quality and cost;

- Be the leader in terms of freight turnover by railway infrastructure in the Baltics;
- Develop environmentally friendly and effective rail transport, through electrifying the key routes and renewing the fleet of traction rolling stock.

The following four values underpin the Group's operations: development, responsibility, safety and cooperation. Based on these values and by implementing the defined objectives the Group promotes the development of the national economy and contributes to the development of the Baltic region, creating a positive impact on other European countries both economically and socially.

Organisational Structure of the *Latvijas dzelzceļš* Group







UĢIS MAGONIS, President of VAS Latvijas dzelzceļš

AIMING TO BECOME THE TRANSPORT INDUSTRY LEADER IN THE BALTICS

The VAS Latvijas dzelzceļš is one of the largest companies in Latvia, which has been making a great contribution to the national economy for over 94 years, ensuring the use of railway infrastructure for heavy freight transport and passenger carriage services. The company is State-owned; its shareholder is the Ministry of Transport of the Republic of Latvia.

VAS Latvijas dzelzceļš is the holding company of the Group. The Group consists of a holding company and six subsidiaries (the holding company has a decisive influence in five subsidiaries and an indirect influence in one of them): AS LatRailNet that is engaged in determining the cost of infrastructure and the allocation of the capacity of the railway's infrastructure; SIA LDZ Cargo that ensures freight transport by railway and the international carriage of passengers; SIA LDZ infrastruktūra ensures the construction and maintenance of infrastructure; SIA LDZ ritošā sastāva serviss that ensures the service and maintenance of the rolling stock; SIA LDZ apsardze provides security services. All together, these companies provide a broad range of railway industry services to customers. The Group's management have set an objective to ensure the development of business directions and competitiveness of its businesses aiming to achieve better performance than what would have been possible if each business direction were to operate separately.

According to the results of a survey regarding the involvement of the employees of the Group carried out in 2013, 86% of the employees are proud

to work for VAS Latvijas dzelzceļš and its subsidiaries. The attained involvement index is 69 out of 100, which, considering the total number of people employed in the railway industry is quite a positive index. However, the Group must continue to focus on improving the work environment and job conditions as well as on employee incentive programmes.

Use of the railway infrastructure

The Group is mainly engaged in the trading of infrastructure capacity through managing, maintaining and developing the public use railway infrastructure in Latvia and preparing investment projects as well as investing in the development of infrastructure. As the manager of the public use railway infrastructure, the Group currently owns a railway network, the extended length of which exceeds three thousand kilometres (including station tracks and spur tracks technologically related thereto) as well as other objects of infrastructure.

In 2013, the VAS Latvijas dzelzceļš public use infrastructure was intensively used to carry 55.8 million freight tonnes running 11.8 million train kilometres, and to carry 19.8 million passengers running 6.2 million train kilometres. Compared

to freight tonnes carried in the previous year, the volume has decreased by 7.9%, while the amount of passengers carried has increased by 3.4% in international traffic and by 0.1% in domestic traffic. The revenue of VAS Latvijas dzelzceļš is greatly dependent on the actual tonnes-kilometres – 19,532 million tonnes-kilometres. Compared with the previous year the volume thereof decreased by 10.7%.

VAS Latvijas dzelzceļš is being appreciated

VAS Latvijas dzelzceļš is one of the biggest taxpayers in Latvia. Over the last fifteen years, it has been able to maintain a steady ranking in the top 10 taxpayers in terms of the amount of taxes paid to the state budget. According to the results of the research "101 most valuable Latvian companies" carried out by the investment banking company Prudentia, the exchange company NASDAQ OMX Riga and the business idea magazine Kapitāls, VAS Latvijas dzelzceļš was ranked as the third most valuable Latvian company in 2013. In turn, according to other rankings regarding the solvency of Latvian companies carried out by Coface Latvia, VAS Latvijas dzelzceļš was ranked as the third company with an excellent credit rating of 10. Out of all the top companies, such a credit rating was assigned only to VAS Latvijas dzelzceļš. In an event organised by the Latvian Employers' Confederation entitled the Annual Prize for Effective Management in 2013 (Efektīvas pārvaldības gada balva 2013) VAS Latvijas dzelzceļš was awarded the annual prize for effective management of companies in the category *The introduction of remarkable management principles in entrepreneurship and efficient finance management*.

Since 2012, the Group has been included in the Enhanced Cooperation Programme of the Ministry of Finance, the purpose of which is to facilitate closer and more efficient cooperation between taxpayers and the tax administration as well as lessening the administrative burden. As a party to this programme VAS Latvijas dzelzceļš benefits from the reliefs and advantages prescribed by the regulatory enactments.

During the reporting year, the Group's operational strategy was approved. It was developed on the basis of the effective key industry planning documents of the European Union (EU), the State as the shareholder of VAS Latvijas dzelzceļš and the Ministry of Transport of the Republic of Latvia (Directive 2012/34/EU establishing

a single European railway area, Directive 2008/57/EU on the interoperability of the rail system within the Community; Regulation (EU) No. 913/2010 concerning a European rail network for competitive freight; White Paper of the European Commission: A strategy for revitalising the Community's railways (2011); the strategy for the sustainable development of Latvia until 2030; Guidelines for the development of transport 2013-2020). The developed strategy lays down both the Group's mission (ensuring the management of the railway infrastructure and logistics services for the benefit of the Latvian economy) and vision (becoming the transport industry leader in the Baltics – an advanced modern, efficient and environmentally friendly group of companies engaged in providing infrastructure and logistics services. The following four values underpin the Group's operations: development, safety, responsibility and cooperation. These values not only promote growth but also conform to the principles of corporate social responsibility as well as responsibility owed to different stakeholders of VAS Latvijas dzelzceļš as a strategically important company in the national economy.

Employees

In 2013, the average number of employees at VAS Latvijas dzelzceļš, was 7,157, the total number of people employed by the Group was almost 12,000 employees. According to the results of the survey carried out by the internet recruitment company VAS Latvijas dzelzceļš was recognised as the third most coveted employer in the business sector for the second consecutive year, ranking sixth among all 50 participants of the survey. The Group implements different programmes for raising the professional qualifications and improving the personal development of employees. To implement the objectives set in the strategy a pilot project has been established. There are plans to create a mechanism allowing to determine the level of digital knowledge of (basic knowledge) and provide the possibility for employees to acquire the needed skills through the internet, as well as considering the application of the internet for determining the level of knowledge of employees and for the training thereof.

A number of employees were tested within this project and 30 per cent of them continued to improve their skills in consecutive modules. Trainees of





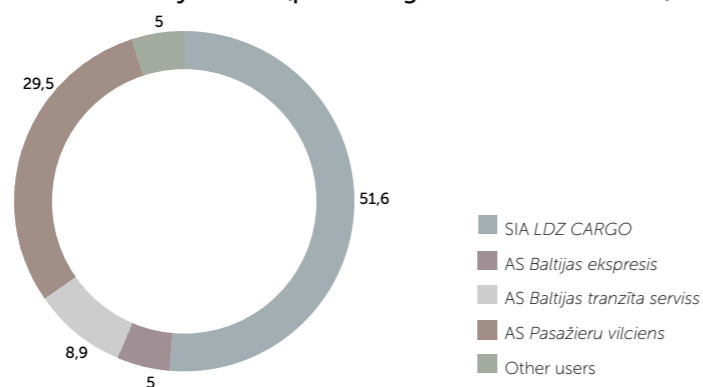
initially different skills and knowledge levels have appreciated the studies: the is convenient to use and provides useful practical knowledge for daily jobs. Henceforth can be used as an efficient and promising knowledge testing and training system used in different areas necessary for the Group.

Development projects

For VAS Latvijas dzelzceļš as an infrastructure operator, one of the biggest challenges is continuous work aimed at developing and modernising the railway infrastructure. In 2013, work was continued in six EU Cohesion Fund co-financed projects: track renovation on the corridor, modernisation of the marshalling hump in Šķirotava station, construction of Bolderāja-II station and access line to Krievusala terminals, modernisation of the signalling, telecommunication and power supply systems at the Bolderāja-1 – Zaslauks section and the development of the electrification sketch project. In the summer of 2013, within the scope of the project a new railway bridge over the River Aiviekste was built. It is the first railway bridge built after Latvia regained its independence.

Last year, six development projects of great importance for railway infrastructure were started with a view to ensuring the upgrading of the infrastructure and integrating thereof

Breakdown by carrier (percentage of train kilometres)



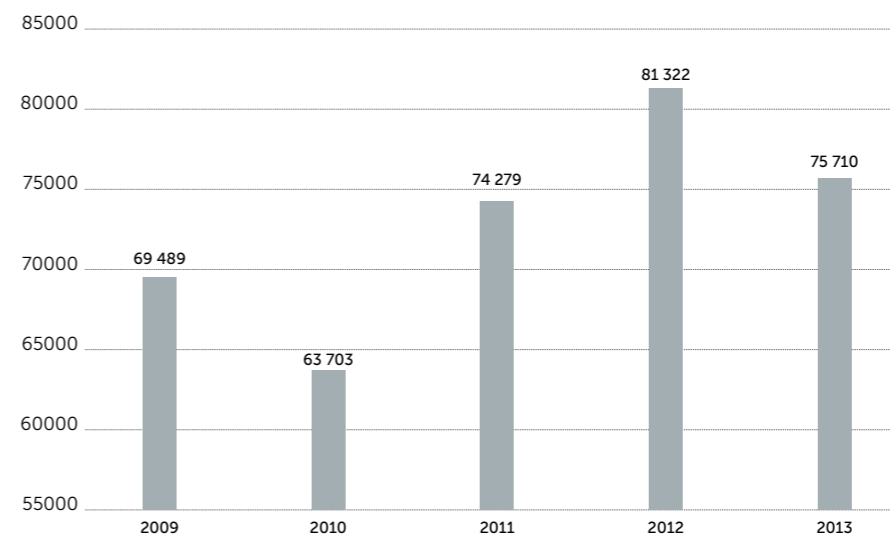
in a single European railway system, simultaneously increasing the throughput capacity of the railway. The projects are worth a total of 152.4 million euros and they are co-financed by the EU. By 2015, upgrading of the signalling system at Šķirotava station and other projects (upgrading of the signalling system at Liepāja station with renovation of railway tracks, renovation of railway tracks and replacement of turnouts in the East-West rail corridor, upgrading of the main data transmission network and upgrading of railway passenger infrastructure, which includes the construction of 16 heightened platforms in the vicinity of Riga station) must be implemented.

At the end of the summer of 2013, the renovated Sigulda Station became operational, where VAS Latvijas dzelzceļš implemented a pilot project involving

the heightened platform construction. The results of this project represent the outcome of successful cooperation between the municipality and the railway infrastructure operator. Railway tracks and railway switches have also been renovated. In the future, the Group will continue to seek opportunities for cooperating with local municipalities.

The project that has been approved by the European Commission and requires the researching of innovative noise barrier solutions and refining of strategic noise maps, is of high importance, as it will reduce the infrastructure's impact on environment. The project is co-financed by the EU programme and the Latvian Environmental Protection Fund. The project was started last year and is planned to be completed in 2015.

Calculated taxes of the Latvijas dzelzceļš Group * (thousand LVL)



*Value added tax not included



International cooperation

VAS Latvijas dzelzceļš develops multilateral cooperation with the leading international organisations of the railway industry and foreign railway operators. The Group's objective is to promote the development of VAS Latvijas dzelzceļš to become a part of the European railway network and raise its competitiveness in freight transporting in the Eurasian transport corridors.

To ensure more successful cooperation with the Russian railway as well as the Russian State and private entities, a representative office has been operational in Moscow for the second consecutive year. A representative in Kazakhstan has also commenced work aimed at encouraging cooperation between the railways of the two States.

Although Latvia is a member state of the European Union, the Group's core business is related to transit freight transport through Latvian ports with the largest cooperation partners being located in Russia, Belarus and other Eurasian countries, in particular the Central Asian countries. Close relationships with these countries have developed historically, and careful and systematic effort is being invested to maintain these relationships. Furthermore, the common track gauge of 1,520 mm is a key factor for dynamic business activities of VAS Latvijas dzelzceļš outside the borders of the European Union in the eastern direction.

Close cooperation with railway partners in the eastern direction facilitates freight transport and the international carriage of passengers. In 2013, with a view to generating income and ensuring compliance with a single technical and technological regulation applicable to transporting, VAS Latvijas dzelzceļš was actively involved in the work of the 1,520 mm railway organisations – the Rail Transport Council, the Organisation for the Cooperation of Railway and the Coordinating Council on Transsiberian Transportation.

In 2013, significant effort was invested in promoting cooperation with railway partners in the western direction aimed at facilitating integration in the single European railway area, ensuring compliance with and the implementation of the regulatory enactments developed by the EU, implementing the liberalisation of the railway transport sector. VAS Latvijas dzelzceļš has been actively involved in the work of the leading railway organisations of the European Union – the Community of European Railway and Infrastructure Companies (CER) representing railway infrastructure operators and carriers, the International Union of Railways, the International Rail Transport Committee (CIT) and the International Organisation for the Collaboration of Railway Police and Security Services (COLPOFER).

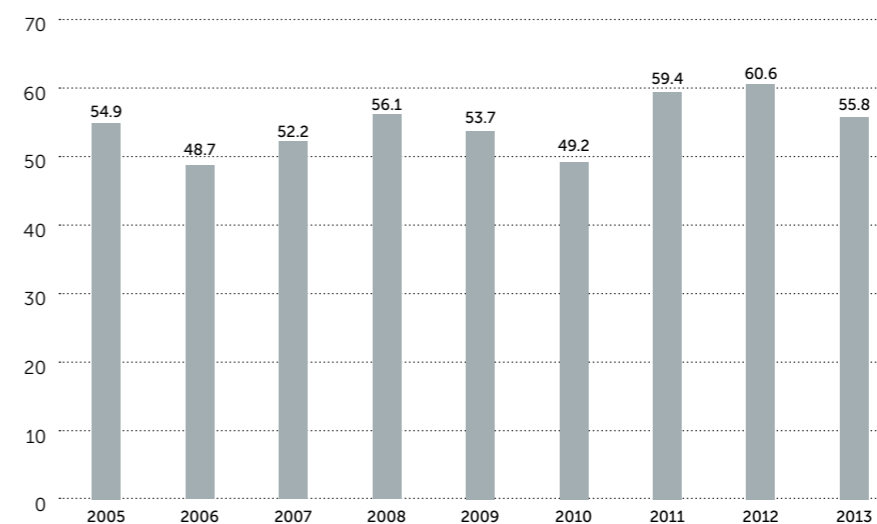


VAS Latvijas dzelzceļš has always been aware of its significance to the State's economy and its influence on society as a whole. The Group's policy of social responsibility that was approved in 2013 sets four directions in each of which targeted and planned work is carried out: the environment, employees, society and business environment. VAS Latvijas dzelzceļš focusses on the objectives and tasks that have been set in each area.

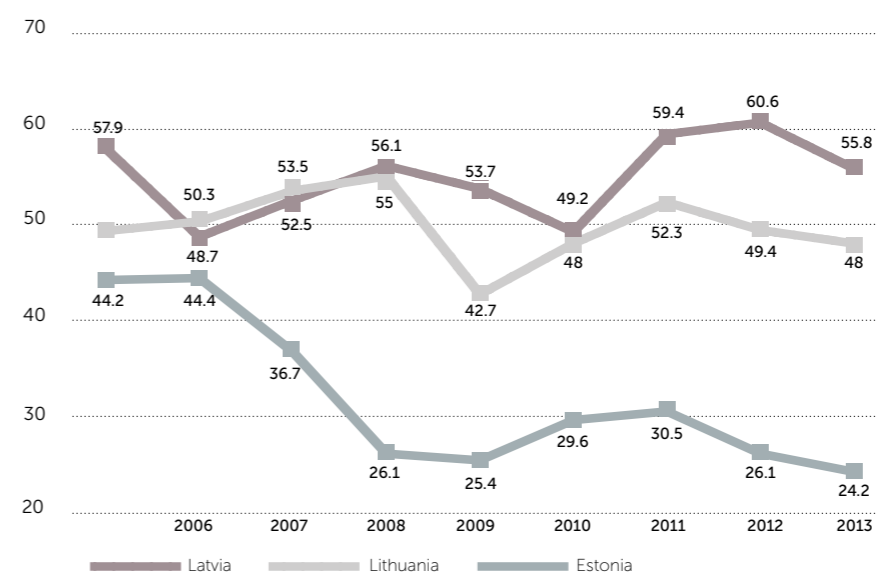
The Group will continue to provide competitive railway infrastructure services in terms of quality and cost level. Infrastructure for freight servicing needs be developed. It is the accessibility of the infrastructure and the efficiency of services that will be one of the decisive factors in competition between freight railway carriers and road carriers. Harmonisation of the projects implemented by Latvian ports and VAS Latvijas dzelzceļš will not only promote an increase in the amount of processed railway freight but will also improve the competitiveness of the Latvian transport industry in general.

VAS Latvijas dzelzceļš will continue to raise the productivity of its staff and responsibility for carrying out the duties, organising studies, guaranteeing environmental protection and traffic safety, as well as continue to create its image and impact, taking an active stance on topical issues regarding the development of the transport system.

Freight carried in Latvia (in million tonnes)



Rail freight carried in the Baltic States in 2005-2013 (in million tonnes)



UĢIS MAGONIS,
VAS Latvijas dzelzceļš
Chairman of the Board, President



AIVARS STRAKŠAS, vice-president of VAS Latvijas dzelzceļš

YEAR 2013 – A GOOD AND STABLE YEAR

In terms of the Group's financial performance, 2013 was a positive and stable year. Advanced financial and management information accounting systems were used to ensure that the Group's operations in accordance with the planned budget and regular performance monitoring thereof.

During the reporting year the net turnover from operating activities of VAS Latvijas dzelzceļš was 153.21 million LVL, which was 8.84 million LVL or 5.5% lower than in the previous year, due to the decrease in the freight volume, revenue from the trading of the infrastructure's capacity declined as well. Trading the infrastructure capacity is the main source of revenue of VAS Latvijas dzelzceļš as a public use railway infrastructure manager. Revenue from trading infrastructure capacity and infrastructure manager's ancillary services accounted for net revenue of 84.9% (130.08 million LVL). In 2013, the Group's consolidated revenue totalled 308.55 million LVL – 25.45 million LVL or 7.6% lower than in 2012.

Starting from 1 July of 2013, with a view to ensuring the more efficient management of the wagon fleet, it was transferred into the management of SIA LDZ Cargo, the principal activity of which is freight transport. Having assessed the assets and liabilities of this business direction at fair value, an investment into the share capital of SIA LDZ Cargo has been made.

In 2013, the performance of VAS Latvijas dzelzceļš was an after-tax profit of 56.1 million LVL – 39.1 million

LVL higher than in 2012. It should be taken into account that the increase in profit was influenced to a great extent by the transferring of the management of the wagon fleet to the subsidiary SIA LDZ Cargo – it was a one-off transaction that did not involve cash flows. Net profit resulting from this transaction disclosed in the income statement is 43.71 million LVL. The increase of profit was also determined by the dividend income of 9.17 million LVL received from the subsidiaries of VAS Latvijas dzelzceļš for the previous reporting year.

In 2013, the Group's after-tax profit was 2.45 million LVL, which was 23.37 million LVL lower than in 2012. The decline was due to the decreasing business of the Group's companies.

In 2013, VAS Latvijas dzelzceļš total liquidity (current assets/current liabilities) ratio was 1.0 (1.3 in 2012).

At 31 December 2013, the Group's current liabilities exceeded current assets by 18.66 million LVL. As a result, the total liquidity (current assets/current liabilities) ratio was 0.8. The Group's current liabilities include deferred income (14.25 million LVL as at 31.12.2013) related to the investment of the EU project financing into the public use

railway infrastructure, therefore financial resources for covering these liabilities next year will not be needed to be used. It must be taken into account that provisions of 21.15 million LVL have been included under the current liabilities. The Group was financially stable and was able to meet its current liabilities. In 2013, the liabilities and total assets ratio remained at the same level as in 2012 – 0.6.

At 31 December 2013, VAS Latvijas dzelzceļš had equity of 180.42 million LVL. It has increased by 42.3 million LVL against 2012. The equity and total assets ratio was 37.3%.

The Group's consolidated equity at 31 December 2013 was 250.83 million LVL. It had increased by 32.35 million LVL against the previous year.

At 31 December 2013 the share capital of VAS Latvijas dzelzceļš was 114,928,543 LVL, consisting of one hundred and fourteen million nine hundred and twenty-eight thousand and five hundred forty-three shares with a nominal value of 1.00 LVL (one lat). Compared to 31 December 2012, the share capital had increased by 77,900 LVL, because seven land plots were invested into the share capital with a view to implementing the Group's functions.

In 2013, the capital expenditures of VAS Latvijas dzelzceļš totalled 67.73 million LVL. Financial resources have been invested in the renovation, upgrading and acquisition of fixed assets, intangible assets and the construction of new objects. The sources of financing of capital expenditures included the financing of the EU funds (22.4%), co-funding by the State (12.2%) and own financing along with borrowed financing (65.4%). Of the total amount of capital expenditures, 62.51 million LVL were used to enlarge the capacity of the infrastructure and renovate it. During the reporting year, with a view to enhancing safety of the train traffic, equipment for repairs and maintenance of railway technological devices was acquired, as well as equipment for developing information systems and means of communication in the amount of 5.22 million LVL.

In 2013, the Group's capital expenditures exceeded 93 million LVL. Financial resources have been invested in the renovation, upgrading and acquisition of fixed assets, intangible assets and the construction of new objects. Capital expenditures decreased by 35.95 million LVL against the previous year.

In 2013, with a view to improving

the quality of transport and increasing freight traffic, VAS Latvijas dzelzceļš and its subsidiary SIA LDZ Cargo bought 300 new freight wagons and performed main repairs of diesel locomotives and wagons.

In 2013, SIA LDZ ritošā sastāva serviss carried out 2.3 million LVL worth repairs of diesel locomotives LVL. During the reporting year, four ČME3 type locomotives were upgraded for 4.73 million LVL.



AIVARS STRAKŠAS,
VAS Latvijas dzelzceļš Member of the
Board, Vice-President of Finance



ĒRIKS ŠMUKSTS, Vice-president of VAS *Latvijas dzelzceļš*

EXPANDING THE CAPACITY OF RAILWAY INFRASTRUCTURE AND ENHANCING PEOPLE'S SAFETY

In 2013, VAS *Latvijas dzelzceļš* responded to a number of challenges in the areas of technical maintenance and development, nonetheless it successfully accomplished the approved investment programme of modernisation and development of the railway infrastructure, power supply, communication signalling systems and traffic management system, as well as acquiring the rolling stock, completing works requiring capital expenditure of 67.7 million LVL.

Freight terminals – closer to the sea

The key focus in matters related to the development of the railway in Latvia is on addressing the issue of strategically important East – West transit corridor that connects Russian and Belarusian railways with Latvian ports in Riga, Ventspils and Liepāja. In 2013, two significant projects were started; they are financed by VAS *Latvijas dzelzceļš* along with the financing of the EU Cohesion Fund – construction of a new railway station Bolderāja-II and access line to Krievu sala terminals and the upgrading of signalling, telecommunications and power supply systems in *Bolderāja 1 – Zasulauks* section. These projects are related to relieving the centre of the city of freight reloading, by relocating freight terminals closer to the sea. According to the Riga City Development Programme for 2006 – 2018 the port territories in Andrejsala and Ekportosta are to be excluded from the territory of the Freeport of Riga. It is an area of approximately 123 hectares close to the historical centre of Riga, partly located in the UNESCO World Heritage Monument protection area. Therefore, the current activities in Andrejsala and Ekportosta ought to be finished by 2015. It is planned that a rail

link with the port territory in Krievu sala will be developed.

Work accomplished and started

With a view to increasing and modernising the throughput capacity of the infrastructure, the projects started in the previous years were carried on. For the purpose of modernising the hump at Šķīrotava Station, work worth 2.05 million LVL - designing, construction and supervision of construction contracts - was performed. The project is due to be completed in 2015. As a result of it, the wagon handling capacity will increase considerably.

The project *Construction of the second railway track in the section Skriveri – Krustpils* was continued, involving the following works - designing and construction – earthwork, construction of railway tracks, reconstruction of stations, renewal of culverts and small bridges, construction of bridges across the River Pērse and the River Aiviekste, reconstruction of railway crossings, construction of heightened platforms, the development of the signalling, telecommunications and power supply systems. During this period, work worth 19.9 million LVL was performed.

Within the scope of the project *Upgrading of the signalling, telecommunications and power supply systems at the Bolderāja 1 – Zasulauks section*, the supervision of construction and contract management was ensured. The value of the completed work was 32,000 LVL.

The project *Construction of a connecting track to track 301* has been completed and put into operation. As a result, the work of Riga – Krasta station will be relieved considerably, and jointly with the train fleet yard constructed by the Freeport of Riga in Kundziņsala, will allow the capacity of freight traffic to be increased by up to three million tonnes a year. Access tracks have been constructed; a centralised power system has been installed at Zemītiņi station, the power supply, lighting and telecommunication system has been installed as well. Overall, works worth 1.02 million LVL have been completed.

To increase the capacity of the infrastructure works have been completed within the scope of the following projects: *Electrification of the Section Skriveri – Muldakmens* (262,000 LVL); *Design and Construction of the Air Supply System for the Train Brake Charging equipment of the Šķīrotava Station C yard* (23,000 LVL), *Construction of Sanitary facilities in the Service Premises* (153,000 LVL), etc.

In 2013, VAS *Latvijas dzelzceļš* invested significant effort in renovation of the railway infrastructure. Work planned for 2013 regarding the renovation of railway tracks in the *Rail Baltica* corridor worth 15.08 million LVL has been fully completed and the tracks have been put into operation. The reconstruction of A and B type rail tracks worth 12.11 million LVL has been completed. During the capital repairs of the A type rail tracks 19.68 kilometres have been replaced; 24.04 kilometres of B type tracks have been replaced. Thirty-three turnouts have been replaced and three railway crossings have been upgraded. During the reporting year, 13 items of production machinery (railcars, snow ploughs and others) were subject to maintenance and upgrading at a cost of 634,000 LVL.

During the reporting year, renovation of the energy infrastructure was carried out at a cost of 3.04 million LVL (modernisation of overhead contact lines, power transmission and substations, replacement of transformers, upgrading of the transformer substation in Šķīrotava station, replacement of train wagon retarders, etc.).

Electronic communications have also been upgraded – construction of optical lines and connections has been completed as well as upgrading of the IT&T network. Wi-Fi system has been implemented in Riga, upgrading of the international freight transport support information system (EDA) has been completed; upgrading of the technological networks in Riga, Daugavpils, Rēzekne and Jelgava has been completed; centralised procurement of hardware has been carried out and other information technology renovation work has been completed.

During the reporting period, four ČME3 locomotives have been upgraded and four ČME3 locomotives have been repaired, the capital repairs of two track-managing locomotives have been completed, and the working life of one ČME3 locomotive and two M62 locomotives has been extended. Eighty-four different wagons have undergone capital repairs.

In 2013, VAS *Latvijas dzelzceļš* spent 4.7 million LVL on the purchase of equipment (a wagon – laboratory, a heavy-type railcar, small mechanisation equipment, defectoscopes, equipment for help-training, fire-training and other equipment). According to the budget, 428,000 LVL were spent on the purchase of licences and software.

511,000 LVL have been spent in relation to the introduction of new products: design stage of the data centre reconstruction has been completed, a single helpdesk has been established, improvement of the safety of information technologies (the upgrading of the safety of the remote VAS *Latvijas dzelzceļš* connection, implementation of wireless networks and equipment monitoring system, centralisation of electronic logging and other IT solutions have been implemented), work involving the implementation of the Traffic planning and schedule execution control procedure system has been partly completed.

However, in 2013, the performance of certain works was partly delayed due to the postponement of the procurement procedure, for instance, fitting the areas exposed to pollution risk with ground protection installations, a digital invoicing solution related to the improvement of the document management system, implementation of the Traffic planning and schedule performance control procedure system. The remaining financing of 2,351 LVL has been transferred to 2014.





Safety – the factor of key importance

Last year VAS Latvijas dzelzceļš continued work aimed at improving people's safety on railway tracks and in the vicinity thereof, as well as carried out preventive activities, educating the public on compliance with safety rules near railway tracks. Fencing has been built along the railway tracks and around the territories of stations; several pedestrian crossings across railway tracks have been improved. Several labyrinths have been installed and warning signs have been put up, platforms have been renovated and paved and ramps have been installed. In September, the heightened (550mm) platform with pedestrian access, crossings, ramps, security fencing and fencing of the station area was put into operation after renovation at Sigulda Station.

The most common causes of accidents were as follows: walking in highly dangerous areas – railway tracks and the crossing thereof in prohibited areas, being too close to a moving rolling stock, standing or lying on or near railway tracks and division lanes, suicides and being under the influence of alcohol in the railway territory. In 2013, the drivers of locomotives used sudden breaking 85 times (73 times in 2012) to avoid hitting people. Nine people have been spotted lying right between the tracks.

Overall, in 2013, 27 people were injured, 17 of whom lost their lives.

Ten people were injured when they were sitting on or lying between the tracks. Five of these cases had a lethal result, the rest of them entailed serious consequences. Eight people were injured or died while walking on railway tracks and crossing them in prohibited areas. Six people were injured due to standing closely to a moving rolling stock or running right in front of the train. In 2013, three people committed suicide. Out of all the people injured last year six were under the influence of alcohol, two of such died.

It is particularly sad when children and young people are injured. The common causes of these accidents are a lack of care and recklessness. Last year a teenager lost his life by crossing the pedestrian crossing that was equipped with a labyrinth on a bicycle. As he was using headphones, he did not pay attention to the train traffic and did not even get off the bicycle. A two-year-old child who had been left unattended was killed on the crossing of Jelgava – Glūda section.

With a view to educating children and young people, in 2013, VAS Latvijas dzelzceļš took part in the making of a film – *Live safely*, organised and ran lessons on safety in the Latvian Railway History Museum, at schools and kindergartens, and took part in a safety week organised by the Ministry of Education and Science. Approximately 2,000 students took part

in 52 lessons on safety in 2013. The target audience were kids from 4 years and older in kindergartens to students aged up to 21. Similar events were arranged at the exhibition *Children's world* in the exhibition centre Ķīpsala which was attended by a total of 17,620 people. Regional events have also been held – the Inčukalns Safety Days were attended by children and their parents. In addition, two safety campaigns *Hear! See! Live!* were held at the end of the summer before children went back to school and in the beginning of winter, when it was getting cold and dark. Last year special training workshops were organised on safety near railway tracks in schools for children with mental, health, hearing and speaking disorders.

With a view to encouraging people to comply with the traffic rules and responding to the call of the European Commission and the International Union of Railways to celebrate the day of a safe railway crossing, VAS Latvijas dzelzceļš along with other institutions organised an annual social event on June 7.

More electricity and stations, less noise

In 2014, the reconstruction of the second rail track in Skrīveri – Krustpils section will be continued and renovation of the railway track on the *Rail Baltica* routes Jelgava – Meitene and Jāņamuiža – Valmiera will be completed.

One of the key long-term infrastructure development projects is electrification of the main routes of the East – West rail corridor from Daugavpils and Rēzekne stations to Riga and Ventspils stations, simultaneously migrating from 3kV DC voltage to 25kV AC voltage in the existing electrified railway sections. The project aims to raise efficiency and competitiveness compared with competitors in neighbouring countries, as well as reduces the impact on the environment.

In cooperation with carriers, it is envisaged that the number of stations and stops and location thereof will be increased, stations and stops will be improved to ensure the accessibility of the public transport, including the construction of heightened passenger platforms.

For passenger convenience it is envisaged that stations and stops will be fitted with information equipment and systems appropriate for the passenger flow to provide precise and operational information regarding the train traffic including the timetable and latest

forecast of arrival and departure time of trains and other information necessary for passengers.

Within the scope of the project *Innovative Solutions to Railway Noise Management* approved by the European Commission on 19 September 2012 it is intended to research innovative noise barrier solutions and refine the strategic noise maps. The project was co-financed by the EU programme LIFE+ and the Latvian Environmental Protection Fund. The implementation of the project was started in 2013, its scheduled completion is in 2015.

VAS Latvijas dzelzceļš is aware that the risks to which the Group may be exposed to in the future reporting periods are the decreasing of the volume of transported freight and price fluctuations of oil, metal and electricity.

LDz will continue to raise the productivity of its staff, organise training, and ensure the implementation of the policy of environmental protection and traffic safety. The Group's companies will continue building up and maintaining its image, and take an active stance on topical matters concerning the development and management of the rail transport.

ĒRIKS ŠMUKSTS,
Member of the Board,
Vice-president of Technical operations





EDVĪNS BĒRZIŅŠ, Vice-president of VAS Latvijas dzelzceļš

INCREASING EFFICIENCY AND RATIONALISING WORK

VAS Latvijas dzelzceļš is in charge of maintaining and upgrading stations and service buildings, platforms, overhangs, a number of buildings and constructions of lesser importance, as well as railway protective zones and the areas adjacent to stations and the timely performance of repair works in the objects. The company's Real Estate Unit is responsible for selling and leasing premises and buildings. The facility management of all the objects falling under the management of the Group is aimed at raising the efficiency of real estate management by seeking solutions for reduction of maintenance costs, rationalisation of work and optimisation of the number of staff involved in management.

Real estate management

In 2013, VAS Latvijas dzelzceļš carried on the cadastral measurement of railway right of way of the state public use railway infrastructure and registering the measured land plots in the Land Register on behalf of the State represented by the Ministry of Transport, surveying 1,053 hectares of land or 7 per cent of all land units, registering 38 land units with a total area of 580 hectares in the Land Register. Cadastral measurement has been completed for 99 buildings of VAS Latvijas dzelzceļš, 70 buildings have been registered in the Land Register.

Meanwhile the topographic surveying and accumulation of the survey data, the administration of real estate tax and implementation of the Real Estate (RE) module of the resource management system (SAP) and the maintaining thereof was carried on.

In accordance with the VAS Latvijas dzelzceļš objectives and tasks laid down in the investment programme for 2013 regarding the real estate management, 23 projects have been carried out, at a total cost of 3,468,740 LVL.

The major capital repairs of buildings and structures were as follows:

- capital repairs of the station buildings at a total cost of 209,090 LVL;

- capital repairs of the technological railway buildings at a total cost of 1,081,210 LVL;
- capital repairs of passenger platforms at a total cost of 158,580 LVL;
- capital repairs of the water supply facilities and sewerage at a total cost of 238,250 LVL;
- 19 individual investment projects (including the replacement of the heating system, connection to the centralised water supply and sewerage networks, the capital repairs of buildings) at a total cost of 1,781,610 LVL.

In 2013, in accordance with the itemised list of regular and unforeseen repair works of buildings and structures 69 objects were renovated, completing the works at a total cost of approximately 901,194 LVL.

In 2013, a project of an audio/video notification system at the Riga Central Passenger Terminal was completed and put into operation at a total cost of 1,196,319 LVL. The Passenger Terminal has been fitted with a new voice passenger-notification and alarm-announcement audio system, new railway timetable displays, platform lighting with LED light fixtures, and an automatic notification system

software and other communications and systems.

Managing the real estate of which VAS Latvijas dzelzceļš is in charge, 525 agreements in total were administered in 2013, of which 295 were agreements on the lease of premises, land and other fixed assets, while the remaining 230 agreements were residential premises lease agreements etc. The price charged for the lease of premises, land and other fixed assets totalled 2,253,335 LVL.

Seventeen real estate and movable property sale agreements worth 216,208 LVL were concluded, including 13 agreements worth 170,015 LVL and 4 agreements on the sale of movable property worth 46,193 LVL. In 2013, two auction procedures for the sale of real estate and real property in an oral auction involving upward bidding were held.

VAS Latvijas dzelzceļš is responsible for providing technical protection of the real estate. In 2013, fire protection and alarm systems in 54 objects, security systems in 49 objects, CCTV systems in 2 objects and limited access systems in 15 objects were put into operation.

Having surveyed 117 real estate objects and having assessed the technical security condition and priorities thereof, proposals regarding the fitting of the objects with technical protection systems pursuant to the requirements of regulatory enactments, the nature of the objects (premises) and financial value thereof, have been submitted. In accordance with the functional obligations, the efficiency of real estate technical security systems and the accuracy of system use on part of the tenants (users) was monitored along with the testing of the quality of the performance of the security service provider.

In 2013, 211 varied procurement procedures were arranged regarding the regular repairs of buildings and structures, capital repairs, reconstruction, restoration, renovation and destruction, cadastral and topographic surveying, construction monitoring, designing etc.

The inventorying of fixed assets and low-value inventory was continued during the reporting year, office technical equipment and furniture (except office infrastructure) was purchased, the delivery and repairs thereof was arranged for.

Service premises have been equipped with furniture and inventory according to the work organisation and labour protection requirements. In acquiring service and technological vehicles, insuring thereof and fitting vehicles with GPS

systems, the road tax was optimised, resulting in a saving of approximately 1,700 LVL per month.

IT & T system improvement

In 2013, another area of noteworthy activities for VAS Latvijas dzelzceļš was the information technologies and telecommunications sector, where several ambitious projects were carried out by developing and improving the existing systems as well as developing new ones.

Since freight transport dominates railway use in Latvia, the focus was on the development of the IT systems for freight transport. The waybill functionality of the freight transport management IS that has been put into trial operation will bring about numerous business advantages such as digitalisation of the transportation process, the development of an online environment for document submission and approval and the optimisation of the transportation process along with an increase in customer service efficiency.

In cooperation with the subsidiary of VAS Latvijas dzelzceļš – SIA LDZ Cargo The Freight Commercial Inspection, Gauge Control and Number Reading Solution has been developed, which included the installation of structures and necessary equipment and made it possible to start a trial operation of a pilot system at Rēzekne-2 Station. This system ensures the possibility of performing the commercial inspection of incoming trains remotely, automated reading of train numbers and transferring the received lists to the management systems of the stations.

The establishment of the Single Services and Help Facility formed on the basis of the Information Service, was started in 2012 and carried on during the reporting year, providing the VAS Latvijas dzelzceļš employees, clients and the society with a single contact point to request various services (information on the train schedule, applying for a mobile lifter, blocking of SIM cards of the LDZ employees, IT applications, applications regarding maintenance, etc.) Work is being carried on to make it possible for the service to handle requests for telephony and power supply services in the future.

2013 was the year of preparing for the introduction of the euro in settlements thus the required changes to systems which ensure or service railway operations, such as APIKS, APIKS-2, ADIIAS, SVIK, Ekspresis, SAR-R, DPS Livelink, LDZ Cargo car tracking file etc., have been made.





In 2013, there were several additions to and improvements of the document management system implemented by VAS *Latvijas dzelzceļš* such as electronic coordinating solutions for outgoing documents and solutions for agreement coordination process.

Many of the company's subsidiaries have implemented solutions for the electronic flow of documents, agreements and budget execution.

Considerable effort has been invested to expand the functionality of the SAP system. The productive functionality for maintaining and repairing technical objects (Plant Maintenance) was activated for inputting data regarding diesel locomotive units and related data, which provides the possibility of monitoring the data of locomotive units, viewing node specifications and drawings in a single system, increasing the efficiency of the work of locomotive technologists with a view to tracking the diesel locomotive node movement.

The implementation of the SAP Real Estate or the real estate objects accounting has been completed, therefore the maintenance of the Access programme (NIIS) has been terminated. The SAP property accounting has been integrated with the fixed asset accounting and other SAP modules. Further work is being done with SAP Real Estate – the accounting of the IT infrastructure objects, to develop the database of computer equipped workplaces, which enables the identi-

cation of equipment location by code. From now on, IT equipment will be linked to the installation sites, which will help organise and facilitate the management of equipment and licences.

During the reporting year, the Group continued the implementation of VoIP telephony in the telecommunication sector, by gradually replacing the old voice telephony technologies, as a result of which the damage-resistance of the equipment improved and their maintenance needs decreased. In the stations Riga-Jelgava-Krustpils-Daugavpils, Riga-Tukums-Ventpils, Jelgava-Liepāja and Krustpils-Rēzekne-Daugavpils a 10 G data transmission network has been established; as a result, the transmission network quality (speed) and network security have increased. By expanding the wireless network in Riga and Daugavpils employee mobility was increased, giving the possibility to use the applications necessary for work directly from laptops and mobile devices in conference rooms. In 2013, a remarkable effort was invested in upgrading the data transmission network connection with the Estonian railway network.

Legal and administrative issues

Significant developments for VAS *Latvijas dzelzceļš* were related to different legal and administrative issues. Along with various subject-matter experts, authorised representatives of VAS *Latvijas dzelzceļš* took an active part

in the work group, led by the Ministry of Transport, that resolves matters regarding the European Parliament and Council Directive 2012/34/EU, adopted on 21 November 2012, which marked the establishment of the single European railway area and which came into force on 15 December 2012. The Group put serious effort into the development of regulatory enactments, because member states are required to implement the directive by 16 June 2015.

In 2013, the European Commission came up with a new legislation proposal – the fourth Railway package that included amendments to Directive 2012/34/EU, amendments to the technical safety rules and the opening of the market for the carriage of passengers.

During the Fourth railway package consultation phase the lawyers of the Legal Division of the Legal and Administrative Affairs Directorate of VAS *Latvijas dzelzceļš* along with other experts participated in the CER (The Community of European Railway and Infrastructure Companies) meetings, where proposals of the EU railway industry representatives for refining the regulatory enactments to align them with the industry's interests were developed. In cooperation with representatives from the Baltic region such proposals that take into account the specific circumstances of the Baltic countries in terms of competition with third country railways were made as well.

Owing to Latvia joining the eurozone, major work was done to ensure that all capital companies belonging to the Group would timely amend their articles of association. At the time the euro was introduced all of them had their share capital denominated in the euro.

In 2013, the lawyers of the Legal Division of the Legal and Administrative Affairs Directorate of VAS *Latvijas dzelzceļš* carried on working on the development and refining of regulations in the following areas:

- developing regulations of the infrastructure manager binding to operators (carriers), based on Section 5 of the Railway Law;
- refining the regulations applicable to commercial services provided by VAS *Latvijas dzelzceļš* (services relating to the operation of the rolling stock, repairs, granting and supervision of licences, services in the construction area, services of the principal, etc.) regulatory framework and development of the relevant draft documents;
- adjusting the internal procedures of VAS *Latvijas dzelzceļš* to ensure business activities;
- developing and updating the regulatory acts of international transport;
- implementing EC Regulation No. 1371/2007 on rail passengers' rights and obligations.

In 2013, the lawyers and experts of the company represented the Latvian state by participating in the final examination (review) of the amendments and additions of the SMPS (Agreement on International Passenger Transport), SMGS (Agreement on International Railway Goods Transport) and SMGS Service Instruction (in fact the new wording thereof). The new wording of the SMGS and Transportation regulations meets the requirements of the EU, taking into account the CIM regulations of the COTIF annex. As the SMGS is the instrument regulating the basis of cargo carriage, the adoption of its new wording will facilitate business conditions for both carriers, primarily SIA *LDZ Cargo*, and customers. It will also help attract new freight to the railway transport (including switching from other types of transport). The Group's representatives actively participated in the meetings of the member states of the CIS (The Commonwealth of Independent States) concerning the resolving of matters of key importance (the use of rolling stock, freight carriage, payment settlements, etc.) and developing regulations, and actively participated in all areas of VAS *Latvijas dzelzceļš* commer-

cial activity – infrastructure management and other technical operation matters, the management of movable property and real estate as well as the management of commercial rights and general management matters, including providing legal support to the Procurement and EU co-financed project management unit.

For several years VAS *Latvijas dzelzceļš* has been successfully operating the implemented document management system (DPS), which ensures the flow of back office documents between the Group's management, the directors of the Directorate-general, the divisions and units of the Directorate-general. The Chancellery is responsible for document flow within the Group. In 2013, 12,974 incoming documents and 1,189 outgoing documents signed by the Group's management were registered. In 2013, the Railway archive issued 635 statements, accepted 1,403 files that need be stored permanently, staff files and 942 files that need be stored temporarily.

In 2013, major work was carried out in the Chancellery and Railway archive by reviewing and developing the nomenclature for the files of the VAS *Latvijas dzelzceļš* Directorate-general and units, which had to be fully harmonised with the DPS. The file nomenclature of 16 structures of LDz Directorate-general along with files of seven units was reviewed, altogether 1,056 files. The National Archive of Latvia has approved the nomenclature for a period of three years.

In line with the restructuring, starting from 1 July 2013, the Documentation Centre has been added to the Legal and Administrative Affairs Directorate within the Chancellery. The document digitalisation process (started in 2011) is being continued (expected to be completed in 2014). It is aimed at ensuring ample availability of regulatory technical documentation, professional periodicals and other publications within the Group.

EDVĪNS BĒRZIŅŠ,
Member of the Board
Vice President of Real Estate
Management, Legal and
Administrative Issues





FINANCIAL STATEMENTS

VAS (STATE JOINT STOCK COMPANY) LATVIJAS DZELZCEĻŠ CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	153 206 374	162 045 005
Cost of goods sold	(154 752 707)	(153 527 156)
Gross profit/loss	(1 546 333)	8 517 849
Administrative expenses	(12 704 958)	(13 917 418)
Other operating income	65 911 957	28 176 172
Other operating expenses	(3 026 785)	(4 900 537)
Income from participation in subsidiary and associated undertakings	9 168 248	2 159 719
Income from securities and loans held as long-term investments	104 871	128 270
Other interest income and similar income	51 228	90 750
Interest expense and similar expenses	(1 381 987)	(1 381 033)
Profit before taxes	56 576 241	18 873 772
Corporate income tax	(707 971)	(1 065 490)
Deferred corporate income tax	229 404	(487 377)
Other taxes	-	(320 072)
Profit after taxes for the reporting period	56 097 674	17 000 833

Riga, 3 April 2014

U. Magonis,
chairman of the board

E. Bērziņš,
member of the board

A. Strakšas,
member of the board

Ē. Šmuksts,
member of the board

BALANCE SHEET

LVL

ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	1 146 155	1 074 014
SUBTOTAL I	1 146 155	1 074 014
II. Fixed Assets		
1. Land plots, buildings, structures and perennial plantings	202 934 360	188 407 959
2. Long-term investments in leased fixed assets	1 752 090	-
3. Equipment and machinery	67 692 883	77 986 437
4. Other fixed assets and fixtures	9 243 748	11 046 564
5. Fixed assets under construction and construction in progress	52 231 172	35 402 100
6. Advances paid for fixed assets	26 279 250	18 652 609
SUBTOTAL II	360 133 503	331 495 669
III. Long-term financial investments		
1. Participation in related undertakings	73 596 006	24 486 584
2. Other securities and investments	347 450	347 450
SUBTOTAL III	73 943 456	24 834 034
TOTAL LONG-TERM ASSETS	435 223 114	357 403 717
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	11 332 963	14 693 372
2. Finished goods and goods for sale	577	5 620
3. Advance payments for goods	73 186	88 491
4. Working animals and productive animals	10	10
SUBTOTAL I	11 406 736	14 787 493
II. Accounts Receivable		
1. Trade receivables	3 604 028	3 492 721
2. Receivables from related undertakings	11 349 036	6 410 135
3. Other receivables	750 503	161 273
4. Prepaid expenses	432 559	392 267
SUBTOTAL II	16 136 126	10 456 396
III. Cash	20 572 432	41 239 712
SUBTOTAL III	20 572 432	41 239 712
TOTAL CURRENT ASSETS	48 115 294	66 483 601
TOTAL ASSETS	483 338 408	423 887 318

BALANCE SHEET

LVL

EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	114 928 543	114 850 643
2. Reserves: other reserves	9 397 890	6 270 511
3. Retained earnings: profit for the reporting year	56 097 674	17 000 833
TOTAL EQUITY	180 424 107	138 121 987
2. PROVISIONS		
1. Provisions for pensions and similar obligations	-	139 688
2. Other provisions	18 646 357	19 468 175
TOTAL PROVISIONS	18 646 357	19 607 863
3. LIABILITIES		
I. Long-term liabilities		
1. Borrowings from credit institutions	72 849 484	59 992 009
2. Other borrowings	1 959 829	-
3. Trade payables	4 862 023	3 580 225
4. Deferred income	151 635 069	143 618 502
5. Deferred tax liabilities	5 395 488	5 907 221
SUBTOTAL I	236 701 893	213 097 957
II. Current liabilities		
1. Borrowings from credit institutions	12 931 444	11 071 292
2. Other borrowings	82 231	-
3. Advances from customers	318 439	199 452
4. Trade payables	6 564 863	9 068 744
5. Amounts owed to related undertakings	2 114 010	5 069 834
6. Taxes and mandatory state social security contributions	6 109 391	6 048 844
7. Other payables	5 161 567	5 239 786
8. Deferred income	14 251 705	16 298 509
9. Accrued liabilities	32 401	63 050
SUBTOTAL II	47 566 051	53 059 511
TOTAL LIABILITIES	284 267 944	266 157 468
TOTAL ASSETS	483 338 408	423 887 318

Riga, 3 April 2014

U. Magonis,
Chairman of the Board

E. Bērziņš,
Member of the Board

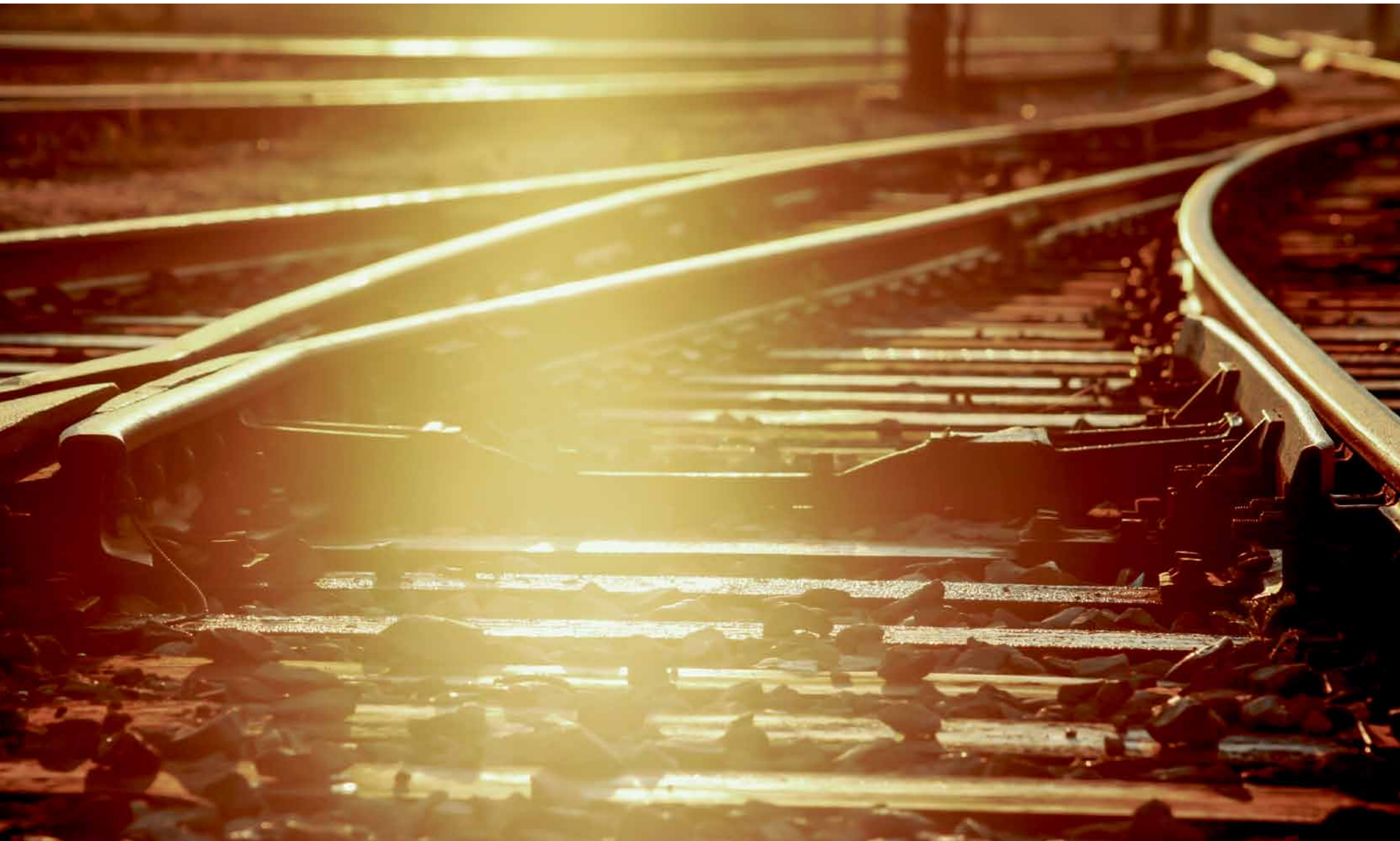
A. Strakšas,
Member of the Board

Ē. Šmuksts,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of VAS *Latvijas Dzelzceļš* without making any changes thereto. The audited financial statements are available from the management of VAS *Latvijas dzelzceļš*. Consequently, these condensed financial statements correspond to the overall financial statements.





SIA LDZ CARGO

THE LARGEST FREIGHT CARRIER BY RAILWAY IN THE BALTICS



GUNTIS MAČŠ,
Chairman of the Board

VLADIMIRS GRJAZNOVS,
Member of the Board

INESE KLEINBERGA,
Member of the Board

ANDRIS REKIS,
Member of the Board

KASPARS GERHARDS,
Member of the Board
(from 10 January 2013)

SIA LDZ Cargo is a 100% subsidiary of VAS Latvijas dzelzceļš. It is principally engaged in ensuring the carriage of freight and international passengers by railway. The company's range of services also include freight forwarding and logistics services that are provided by its subsidiary SIA LDZ Cargo Logistika, which is a 100% subsidiary of SIA LDZ Cargo.

The company is engaged in carrying freight of various kinds - containers, oil, coal, metals, timber, food products, fertilisers, chemicals etc. - while working in the SMGS and CIM railway legal environment, and using all the main East-West and North-South transport corridors for freight transport. SIA LDZ Cargo is the largest company in the transit and transport industry in Latvia and the largest rail freight carrier in the Baltic States. In 2013, it carried almost 56 million tonnes which was 7.9% lower than in 2012.

The subsidiary of SIA LDZ Cargo – SIA LDZ Cargo Logistika is the operator of the container train *Zubr* in Latvia. The subsidiary is also engaged in the organising of NATO non-military freight transport to Afghanistan. SIA LDZ Cargo Logistika provides freight transport services to its customers under a "door-to-door" arrangement.

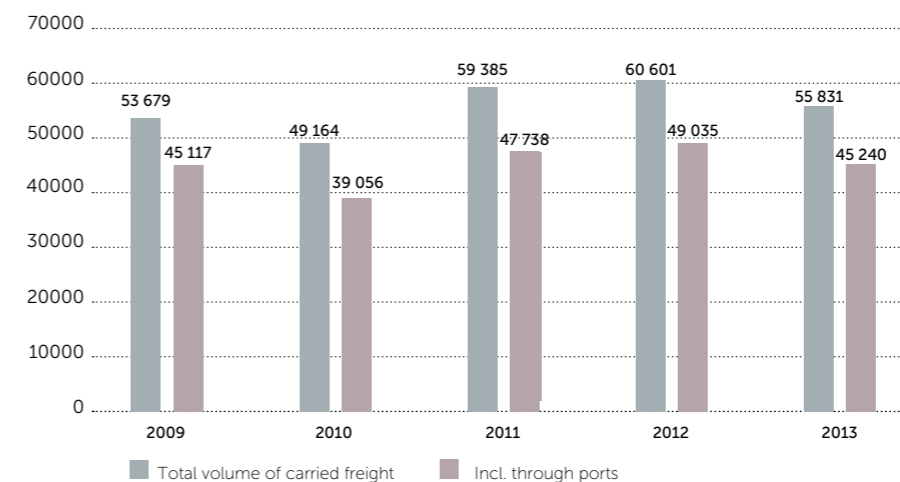
Freight transport

In 2013, same as in previous years, the largest number of freight was import shipments making up 47.7 million tonnes or 85.4% of all transport. Compared with 2012, import shipments fell by 4.1%. In 2013, freight transport through ports was 45.2 million tonnes, which was a decrease of 7.7% compared with 2012. 4.4 million tonnes were carried in export shipments – 10.8% lower than in 2012. 2.6 million tonnes were carried in land transit, 1.2 million tonnes were carried domestically in the preceding year.

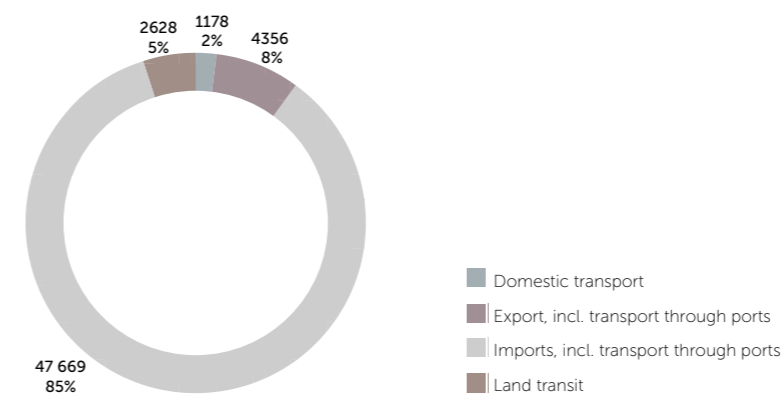
In 2013, oil and petroleum products prevailed among the types of transported freight – 21.7 million tonnes or 38.9% of all freight, in terms of volume, the runner-up was coal – 21.2 million tonnes or 37.9%, followed by fertilisers, black metal, chemical goods, etc.

Among the states of the origin of freight, Russia still ranked first, having imported to Latvia and transported by land transport 38.8 million tonnes. Belarus ranked second, having transported 6.3 million tonnes, Kazakhstan and Lithuania transported 2.4 million tonnes and 2 million tonnes, respectively.

Volume of freight carried by SIA LDZ Cargo in 2009–2013, in thousand tonnes



Breakdown of freight transport by type of transport in 2013, in thousand tonnes





Container transport

Although in 2013, container transport volume fell by 12.1% compared with 2012, considering the transport development trends in the world, container transport was also one of the main types of transport of SIA LDZ Cargo. In 2013, three container train routes – *Baltika-Tranzīts*, which ensure transport on the route Baltic States-Kazakhstan and the Central Asia States; *Rīgas Ekspresis*, which runs between Riga and Moscow, and the container train *Zubr*, which provides carriage on the route Latvia-Belarus-Ukraine, Black Sea - transported a total of 97,710 TEU container units.

The container train *Zubr* the operator of which is SIA LDZ Cargo Logistika was made in 2009; it connects the ports of Estonia and Latvia to Belarus. This route is mainly used for transporting export and import freight to and from Belarus, as well as Ukraine. Since the start of operating *Zubr*, the volume of transport has increased over four years owing to transit from Estonia to the Ukraine. In 2013, 5,005 TEU containers were carried.

Taking part in providing transportation of NATO non-military cargo for the mission in Afghanistan was important as well, hence demonstrating the quality and safety of the services of the company. Compared with 2012, in 2013, the volume of this freight was three

times lower and amounted to 897 TEU container units – the decrease was related to the US policy of considering other possible routes for cargo transport to Afghanistan. While the Afghanistan cargo accounted for a relatively small fraction in the total freight volume, this project played a significant role in promoting Latvia, its railway and railway carriers in the international market.

The rolling stock

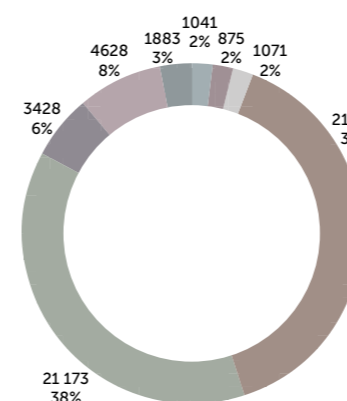
For the purpose of ensuring the carrying out of the principal activity, the company leased 146 locomotives; it owns 7 locomotives. To maintain the rolling stock in proper technical condition and have a sufficient number thereof for freight transport, some items of rolling stock have been purchased. In 2013, based on the results of an open competition and in accordance with the awarded contracts 300 wagons were purchased and put into operation 100 of which were lidded wagons, 100 were grain hopper wagons and 100 were fitting platforms.

To facilitate the handling of incoming trains and improve technologies in the rail section Rēzekne 2 - Taudejāni, a pilot project of the Automated Cargo Wagon and Train Commercial Inspection, Wagon Number Registration and Recognition System was implemented. Within the

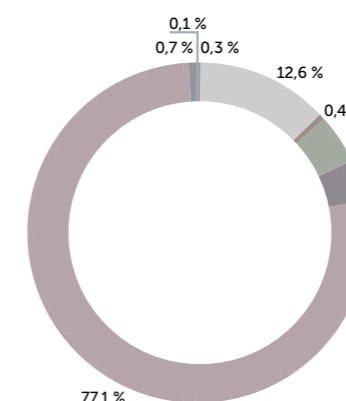
Volume of railway transport through Latvian ports in 2011–2013, in thousand tonnes

	2011	2012	2013	2013 % pret 2012
Total volume of transport	47738	49035	45240	92,3
Including:				
Through Ventspils Port	19933	19798	18421	93,0
Through Riga Port	25480	25811	24839	96,2
Through Liepāja Port	2325	3426	1980	57,8

Breakdown of railway transport through the stations located near the port in 2013



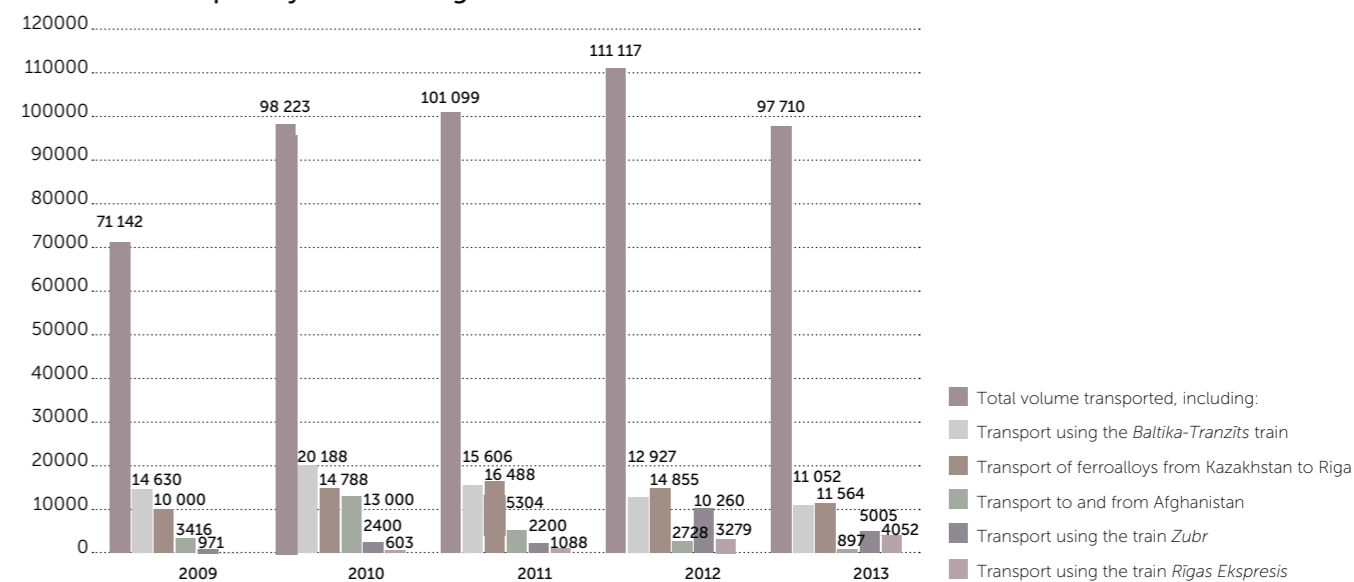
Breakdown of freight volumes by country (import and road transit) in 2013



- Mineral matter
- Timber
- Chemicals
- Oil and oil products
- Coal
- Fertilisers
- Other cargo
- Ferrous metals
- Uzbekistan
- Others
- Belarus
- Estonia
- Kazakhstan
- Lithuania
- Russia
- Ukraine



Container transport by SIA LDZ Cargo





scope of it, an automated process of commercial inspection of cargo wagons, the cargo uploaded thereto, containers and trains, registration and recognition of the inspection of dimensions and the registration, recognition and reconciliation with wheel report data is ensured.

With a view to ensure the best radio communications between trains and stations, twenty-one portable and locomotive radio stations were purchased in 2013.

Video surveillance systems have been installed and updated in five SIA LDZ Cargo objects to provide the ability of tracking the presence of unauthorised persons in the territory, fuel theft and intentional damage of the rolling stock in the locomotive operation department, workshops and cargo terminal area, as well as guarantee the safeguarding of cargo in wagons during their standing time on the station rails and safety of SIA LDZ Cargo employees, while performing work duties along with facilitating the investigation of accidents.

International carriage of passengers by rail

The company provides the international carriage of passengers

on the routes Riga-Moscow-Riga, Riga-St. Petersburg-Riga and Riga-Minsk-Riga, and ensures the traffic of the international passenger train Vilnius - St. Petersburg on the rail section Kurcums - Kārsava. In 2013, several marketing campaigns were carried out, such as the *Full Compartment* offer. Compared with 2012, the number of passengers carried increased by 3.4% (355,508 passengers). The largest increase of passengers was observed on the route Riga – Minsk.

The homepage <http://travel.LDZ.lv>, created in 2011, provides comprehensive and up-to-date information on international railway passenger transport services. In 2013, the average number of homepage unique visitors was 45 thousand. Ticket sales on the internet have increased, the number of passengers who purchased travel documents online has increased by 14% (12% in 2012), reaching 18% of the total number of tickets purchased in December 2013. 88% of the passengers, who bought tickets online, chose the online registration service. In 2013, as expected, an electronic passenger registration was started on the route Riga-Minsk, thus the company now provides electronic passenger registration services on all routes.

Freight wagon fleet renewal by SIA LDZ Cargo in 2009–2013

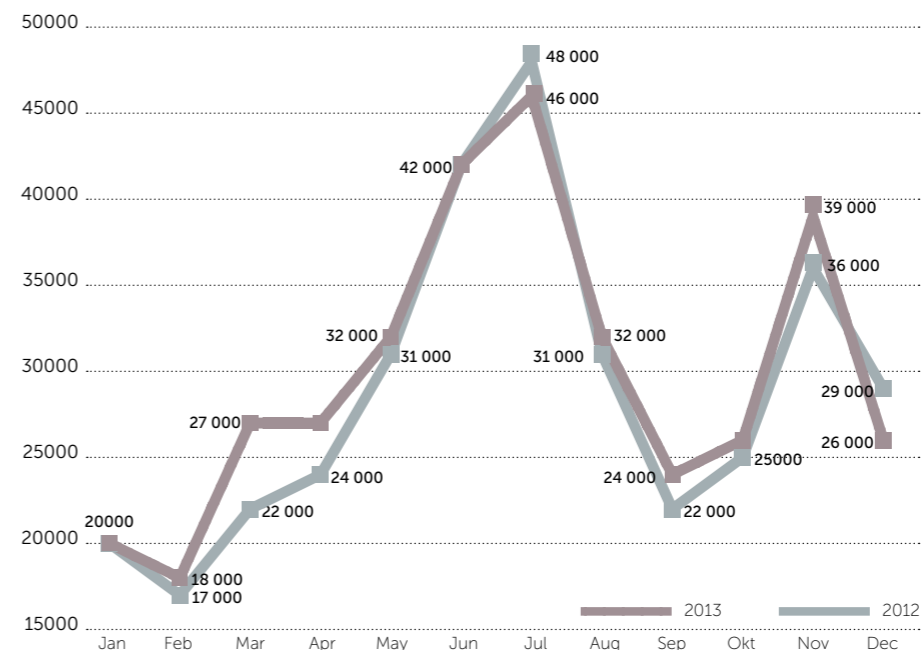
No.	Type of wagons	Year of manufac.	Model	Quantity
1a	Lidded wagons 150m ³ (68t)	2009	11-7038	200
1b	Lidded wagons 150m ³ (68t)	2011	11-7038	27
1c	Lidded wagons 150m ³ (68t)	2012	11-7038	73
1d	Lidded wagons 158m ³ (66.7t)	2009	11-1807-01	100
1e	Lidded wagons 158m ³ (66.7t)	2012	11-1807-01	100
1f	Lidded wagons 150m ³ (66.7t)	2013	11-7038	100
2a	Fitting platforms 60' (71t)	1998	13-935A	15
2b	Fitting platforms 60' (69t)	2009	13-935A-01	100
2c	Fitting platforms 60' (72t)	2011	13-1223	100
2d	Fitting platforms 60' (69t)	2012	13-935A-04	200
2e	Fitting platforms 60' (69t)	2013	13-935A-04	100
2f	Fitting platforms 60' (71.2t)	2009	13-7024	199
3a	Grain hopper wagons 108m ³ (70.2t)	2009	19-7016	200
3b	Grain hopper wagons 116m ³ (70.5t)	2012	19-7053-02	200
3c	Grain hopper wagons 116m ³ (70.5t)	2013	19-7053-02	100
TOTAL:				1814

Listing of freight wagons of SIA LDZ Cargo

No.	Type of wagons	Quantity
1	Lidded wagons	1886
2	Platforms	39
3	Semi-wagons	1113
4	4-axis tanks	1063
5	8-axis tanks	153
6	Isothermal wagons, 126m ³ (60t)	27
7	Grain hopper wagons	1143
8	Transporter wagons	4
9	Cement hopper wagons	119
10	Fitting platforms	1131
11	918 Type lidded wagons 127m ³ (50t)	50
12	Other wagons that have not been included in the inventoried fleet	3
TOTAL:		6731



Number of passengers carried by SIA LDZ Cargo in 2013 and 2012





Employees

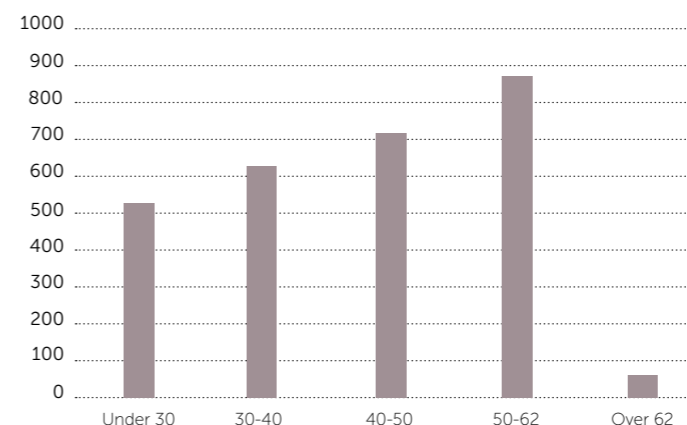
SIA LDZ Cargo pays great attention to one of its most valuable assets - its employees. In 2013, the company employed 2,794 employees, 51% men and 49% women. Compared to 2012, the total staff increased by 10 people. With a view to ensure that the engine-drivers of diesel locomotives and their assistants are highly competent, the company has acquired a special training programme.

Evaluating the work environment of those employees whose jobs include long hours at the computer, in 2013, computer hardware aged more than five years old was upgraded, followed by procurement of new generation computers, monitors and other work station equipment.

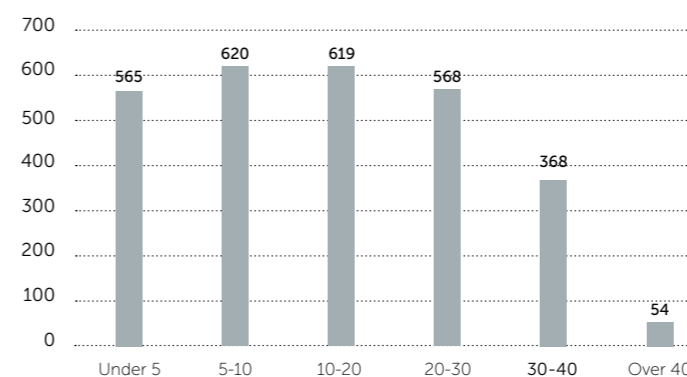


Employees of SIA LDZ Cargo:

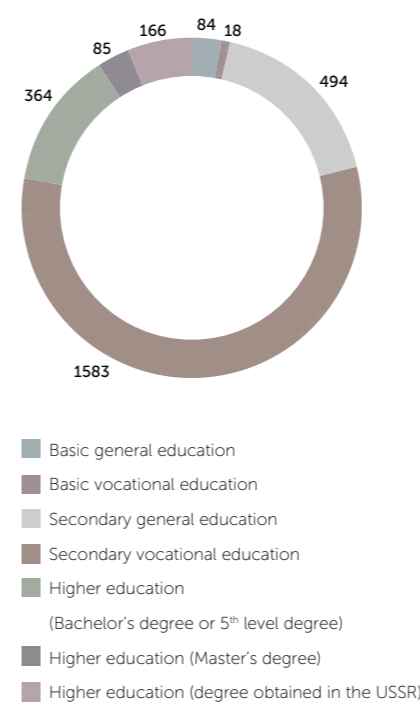
Breakdown by age



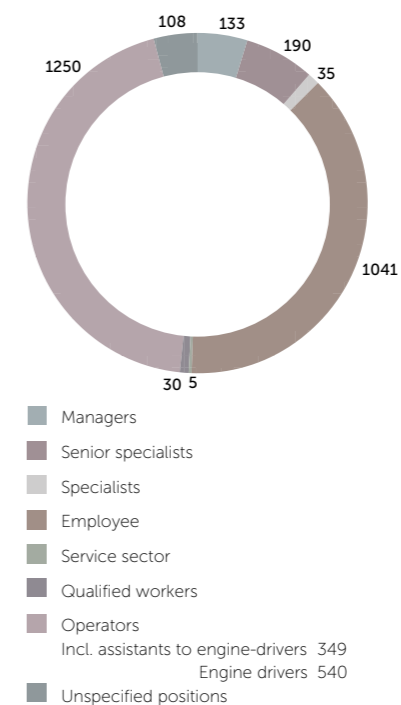
Years of service



Breakdown by education



Breakdown by job position



Incl. assistants to engine-drivers 349
Engine drivers 540



FINANCIAL STATEMENTS

SIA LDZ CARGO CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	254 125 516	278 231 115
Cost of goods sold	(246 747 903)	(261 040 251)
Gross profit/loss	7 377 613	17 190 864
Administrative expenses	(7 222 116)	(6 634 702)
Other operating income	3 822 973	5 860 862
Other operating expenses	(609 398)	(6 534 101)
Income from participation in subsidiary and associated undertakings	142 142	27 684
Other interest income and similar income	23 102	182 618
Interest expense and similar expenses	(229 357)	(433 074)
Profit before taxes	3 304 959	9 660 151
Corporate income tax	(584 016)	(742 756)
Deferred corporate income tax	576 966	(560 766)
Profit after taxes for the reporting period	3 297 909	8 356 629

Riga, 12 March 2014

G. Mačš,
Chairman of the Board

V. Grjaznovs,
Member of the Board

I. Kleinberga,
Member of the Board

A. Reķis,
Member of the Board

K. Gerhards,
Member of the Board

BALANCE SHEET

	LVL	
ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	39 152	3 381
2. Advances paid for intangible assets	18 500	-
SUBTOTAL I	57 652	3 381
II. Fixed Assets		
1. Land plots, buildings, structures and perennial plantings	78 404	87 116
2. Equipment and machinery	108 569 244	51 625 101
3. Other fixed assets and fixtures	580 503	563 106
4. Fixed assets under construction and construction in progress	174 375	-
5. Advances paid for fixed assets	2 420	502
SUBTOTAL II	109 404 946	52 275 825
III. Long-term financial investments		
1. Participation in related undertakings	100 000	100 000
SUBTOTAL III	100 000	100 000
TOTAL LONG-TERM ASSETS	109 562 598	52 379 206
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	805 586	890 979
2. Advance payments for goods	355 523	99 542
SUBTOTAL I	1 161 109	990 521
II. Accounts Receivable		
1. Trade receivables	3 907 207	3 273 310
2. Receivables from related undertakings	995 451	1 226 565
3. Other receivables	3 420 027	4 722 662
4. Prepaid expenses	85 733	95 321
SUBTOTAL II	8 408 418	9 317 858
III. Cash	10 208 438	13 883 143
SUBTOTAL II	10 208 438	13 883 143
TOTAL CURRENT ASSETS	19 777 965	24 191 522
TOTAL ASSETS	129 340 563	76 570 728

BALANCE SHEET

	LVL	
EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	49 718 020	608 598
2. Reserves: other reserves	26 338 776	24 834 583
3. Retained earnings: profit for the reporting year	3 297 909	8 356 629
TOTAL EQUITY	79 354 705	33 799 810
2. PROVISIONS		
1. Provisions for pensions and similar obligations	483 822	632 164
2. Other provisions	9 180 492	12 097 535
TOTAL PROVISIONS	9 664 314	12 729 699
3. LIABILITIES		
I. Long-term liabilities		
1. Borrowings from credit institutions	6 236 835	7 697 359
2. Deferred income	8 112 259	694 168
SUBTOTAL I	14 349 094	8 391 527
II. Current liabilities		
1. Borrowings from credit institutions	1 370 366	1 459 834
2. Other borrowings	4 945 189	-
3. Advances from customers	3 025 730	2 530 178
4. Trade payables	3 445 673	3 534 819
5. Amounts owed to related undertakings	9 261 300	10 643 005
6. Taxes and mandatory state social security contributions	1 858 327	1 523 720
7. Other payables	2 017 354	1 862 828
8. Accrued liabilities	48 511	95 308
SUBTOTAL II	25 972 450	21 649 692
TOTAL LIABILITIES	40 321 544	30 041 219
TOTAL ASSETS	129 340 563	76 570 728

Riga, 12 March 2014

G. Mačs,
Chairman of the Board

V. Grjaznovs,
Member of the Board

I. Kleinberga,
Member of the Board

A. Reķis,
Member of the Board

K. Gerhards,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of SIA LDZ Cargo without making any changes thereto. The audited financial statements are available from the management of SIA LDZ Cargo. Consequently, these condensed financial statements correspond to the overall financial statements.



SIA LDZ RITOŠĀ SASTĀVA SERVISS

MAINTAINING THE RAILWAY ROLLING STOCK AND RESOLVING THE MATTERS RELATED THERETO



SVETLANA BERGA,
Chairperson of the Board

IVARS RULLIS,
Member of the Board

GENĀDIJS RJAZANCEVS,
Member of the Board

GINTS LIEPASKALNS,
Member of the Board
(from 25 April 2013)

SANDIS VĒTRA,
Member of the Board
(up to 25 July 2013)

IVARS PĀŽE,
Member of the Board
(up to 25 July 2013)

SIA LDZ ritošā sastāva serviss is the subsidiary of VAS Latvijas dzelzceļš, in which the latter is the sole shareholder of the capital shares. The company's principal activity is the technical maintenance, repair and upgrading of the railway rolling stock, equipping thereof, storage of fuel and sales thereof to railway carriers.

The company's activities include the leasing of locomotives, cleaning of tanks, manufacturing of non-standard equipment as well as ensuring spare pool services. To accomplish these tasks, locomotive repair centres are operated in strategic locations in Latvia, e.g. Daugavpils and Riga with workshops in Rēzekne, Liepāja and Jelgava and the wagon repairs centre in Daugavpils; a chemistry, technical and measurement laboratory is operated in Riga.

During the reporting period the average number of staff employed by SIA LDZ ritošā sastāva serviss was 1,476, of whom 75% were men and 25% were women. The average age of employees was 43 years.

The key qualification (main profession) of SIA LDZ ritošā sastāva serviss employees is locksmiths of the rolling stock. The successful performance of the company depends mostly on the

qualifications, competence, loyalty and work quality of these specialists. Most of the locksmiths of the rolling stock are alumni of the railway departments of Rīga Valsts tehnikums (Riga State Technical College) and Daugavpils Valsts tehnikums (Daugavpils State Technical College). Each year, SIA LDZ ritošā sastāva serviss provides on-the-job training to students of vocational schools, which study subjects related to the management of locomotives and wagons. The performance of the students is assessed during the on-the-job training, and the best of them are identified with a view to offering them employment after the completion of their studies.

With transit volumes and the weight of freight trains increasing, the requirements for rolling stock safety are becoming more stringent. To ensure that repairs are effected in line with advanced technologies and to a high quality standard, SIA LDZ ritošā sastāva serviss provides training to its employees aimed at improving their professional skills and technical knowledge and invests heavily in raising the qualification of such staff whose jobs are related to the controlling of the technical condition of the sub-assemblies and components

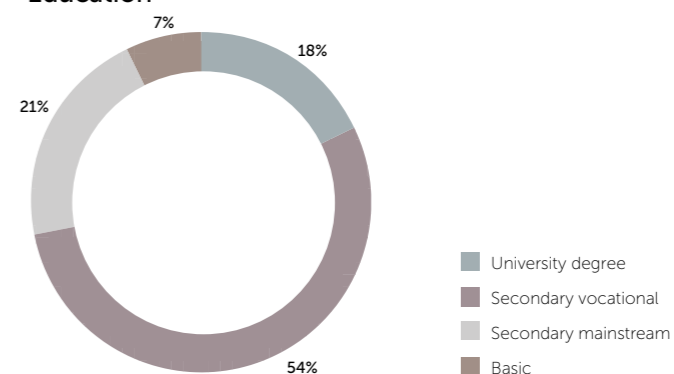
of the rolling stock. The specialists of the Locomotive Repairs Centre and the Wagon Repairs Centre have completed a special training course on non-destructive testing that is carried out using the ultrasonic method, and have passed the exam leading to the qualification. For the first time in the history of the company the staff has been certified in accordance with the requirements of the European standard EN 473 at the Personnel Certification Centre of the notification authority in Bratislava (Slovakia).

Work accomplished:

- testing of the diesel locomotive of type GE Evolution completed;
- manufacturing of the ČME3MB type non-diesel booster launched;
- capital repairs and upgrading of wheel-pair turning workbench in the Riga area completed;
- installation of advanced heat supply and ventilation systems in the Wagon Repairs Centre completed;
- upgrading of the rheostat-trial station in the Riga area launched;
- reconstruction of Rēzekne fuel base completed;
- upgrading of the oil warehouse in the Riga area completed;

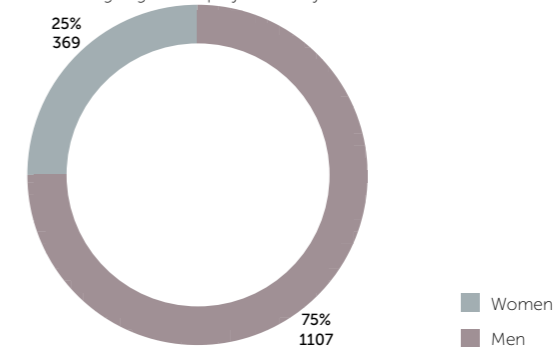
Staff of SIA LDZ ritošā sastāva serviss

Education



The average number of employees (1 476)

The average age of employees is 43 years





- construction of a new railway tank defueling trestle bridge in the fuel warehouse of Daugavpils Locomotive Repair Centre completed;
- installation of the video surveillance system in Jelgava workshop completed;
- fitting of the main diesel locomotives with KPD-3 type electronic speed meters completed;
- caterpillar type diesel locomotive maintenance technology acquired;
- three ČME3 diesel locomotives with 1000 kW engines have been purchased for further upgrading.

Upgrading of type ČME3 locomotives

In 2013, the project involving modernisation of type ČME3 diesel locomotives aimed at increasing power from 993 to 1,550 kW was carried on successfully, the new generation Caterpillar engine CAT3512C has been installed. Other improvements to ensure safety, cost savings, comfort and environmental protection requirements have been made. The increase of power of an upgraded locomotive is about 60%, while fuel consumption has declined by 20%. At present, the works involving

Performance of the diesel locomotives repairs programme in 2013 (units)

Type of diesel locomotive	Type of technical maintenance and repairs						
	TA-2	TA-3	TR-1	TR-2	TR-3	VR	GR
TEP70	774	42	8				2
2TE10M,U	3382	414	84		26		
2M62,U	7948	907	160		52	14	
2M62UC	64	10	2				
2M62UP	128	16					
2TE116	1490	164	8	6	6		
M62	1208	80	19		6		
ČME3	3661	305	38		17	5	5
ČME3M	98	6					
TEM2	174	15			3	2	
TGM23BV	36	1					

Performance of the VRD repairs programme in 2013. Per annum

Customer	Depot repairs, wagons	Capital repairs, wagons
VAS Latvijas dzelzceļš	54	84
SIA LDZ Cargo	1803	67
SIA LDZ infrastruktūra	156	3
Other	436	87
Total:	2449	241

formation and disbandment of trains are ensured by the type ČME3M diesel locomotives at the marshalling yards of Šķirotava, Daugavpils and Jelgava stations.

Locomotives transferred to the contracting entity in 2013:

- ČME3M-6139
- ČME3M-6149
- ČME3M-5119
- ČME3M-5107
- ČME3M-5959

Chemistry, technical and measurement laboratory

In 2012, the chemistry, technical and measurement laboratory of SIA LDZ *ritošā sastāva serviss* provided testing, calibration and inspection services in the following areas:

testing of oil products, emissions of fixed air pollution sources, testing of the air, noise, vibration and lighting levels of the work environment, the quality of materials used in the technological processes of railway;

calibration and testing of measuring equipment - calibration of manometers, thermometers, megaohmmeters, ammeters, voltmeters, multimeters, measuring clamps and other electrical measuring means; the testing of calipers, micrometers, internal calipers, depth gauge, automatic coupling, wheel-pair stencils, non-destructive control devices;

inspection - (interim stages) routine and non-routine inspection of the airtightness of railway tanks according to the requirements laid down in the Republic of Latvia Cabinet Regulation No. 539 *On the Evaluation of the Conformity of Tanks and Containers Used for the Transportation of Hazardous Goods*.

The competence of the laboratory in terms of testing, calibration and inspection has been assessed by the Latvian National Accreditation Bureau. Accreditation for compliance with the LVS EN ISO/IEC 17025 standard requirements in the area of testing and calibrating, and for compliance with the LVS EN ISO/IEC 17020 standard

requirements as an inspection institution, has been granted to it.

In 2013, the laboratory has complemented its range of operations with new services. Electro-technical measuring has been launched, the verification of manometers has been mastered and prepared for accreditation, the accredited areas for testing oil products has been extended. The laboratory has attracted six new clients, the volume of inspections of railway tanks has increased significantly. This has contributed to an increase in the laboratory's net revenues by 41.2% against the background of 2012.

SIA LDZ *ritošā sastāva serviss* owns 25% of the share capital in the joint venture SIA *Rīgas Vagonbūves uzņēmums Baltija*, founded in 2012.

SIA *Rīgas Vagonbūves uzņēmums Baltija* is planning to create and develop railway freight wagon manufacturing in Daugavpils, taking into account the available technologies and the trends of manufacturing and market development.



FINANCIAL STATEMENTS

SIA LDZ RITOŠĀ SASTĀVA SERVISS CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	85 806 002	97 464 385
Cost of goods sold	(82 331 771)	(91 620 489)
Gross profit/loss	3 474 231	5 843 896
Administrative expenses	(2 838 613)	(2 638 015)
Other operating income	4 275 443	2 029 703
Other operating expenses	(865 329)	(3 070 909)
Other interest income and similar income	1 539	1 360
Interest expense and similar expenses	(99 084)	(108 881)
Profit before taxes	3 948 187	2 057 154
Corporate income tax	(141 122)	(642 563)
Deferred corporate income tax	(415 088)	512 432
Other taxes	-	(28 897)
Profit after taxes for the reporting period	3 391 977	1 898 126

Riga, 17 March 2014



S. Berga,
Chairperson of the Board



I. Rullis,
Member of the Board



G. Rjazancevs,
Member of the Board



G. Liepaskalns,
Member of the Board



I. Pāže,
Member of the Board

BALANCE SHEET

LVL

ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	346	807
SUBTOTAL I	346	807
II. Fixed Assets		
1. Land plots, buildings, structures and perennial plantings	5 055 554	4 323 476
2. Long-term investments in leased fixed assets	14 005	-
3. Equipment and machinery	23 285 651	22 631 155
4. Other fixed assets and fixtures	470 290	466 744
5. Fixed assets under construction and construction in progress	399 699	361 297
6. Advances paid for fixed assets	11 384	51 023
SUBTOTAL II	29 236 583	27 833 695
III. Long-term financial investments		
1. Other securities and investments	175 500	500
SUBTOTAL III	175 500	500
TOTAL LONG-TERM ASSETS	29 412 429	27 835 002
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	10 352 618	10 048 914
2. Work in progress	977 627	1 789 836
3. Finished goods and goods for sale	176	40
4. Advance payments for goods	1 307	3 983
5. Working animals and productive animals	5	5
SUBTOTAL I	11 331 733	11 842 778
II. Accounts Receivable		
1. Trade receivables	373 047	475 785
2. Receivables from related undertakings	3 488 945	5 221 963
3. Other receivables	527 805	33 842
4. Prepaid expenses	90 379	92 751
SUBTOTAL II	4 480 176	5 824 341
III. Cash	2 741 657	1 868 137
SUBTOTAL II	2 741 657	1 868 137
TOTAL CURRENT ASSETS	18 553 566	19 535 256
TOTAL ASSETS	47 965 995	47 370 258

BALANCE SHEET

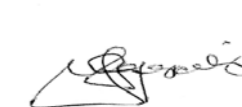
LVL

EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	19 853 137	19 853 137
2. Reserves: other reserves	2 572 999	2 572 999
3. Retained earnings b/f	1 629 853	1 288 190
4. Retained earnings: profit for the reporting year	3 391 977	1 898 126
TOTAL EQUITY	27 447 966	25 612 452
2. PROVISIONS		
1. Other provisions	1 237 190	4 023 852
TOTAL PROVISIONS	1 237 190	4 023 852
3. LIABILITIES		
I. Long-term liabilities		
1. Borrowings from credit institutions	2 969 347	4 225 609
2. Other borrowings	11 290	-
3. Deferred tax liabilities	415 088	-
SUBTOTAL I	3 395 725	4 225 609
II. Current liabilities		
1. Borrowings from credit institutions	1 256 262	1 256 262
2. Other borrowings	5 894	-
3. Advances from customers	2 903 639	2 639 209
4. Trade payables	7 150 358	5 146 372
5. Amounts owed to related undertakings	359 710	330 089
6. Taxes and mandatory state social security contributions	3 173 521	3 175 324
7. Other payables	1 028 143	953 888
8. Deferred income	687	301
9. Accrued liabilities	6 900	6 900
SUBTOTAL II	15 885 114	13 508 345
TOTAL LIABILITIES	19 280 839	17 733 954
TOTAL ASSETS	47 965 995	47 370 258

Riga, 17 March 2014


S. Berga,
Chairperson of the Board

I. Rullis,
Member of the Board

G. Rjazancevs,
Member of the Board

G. Liepaskalns,
Member of the Board

I. Pāže,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of SIA LDZ ritošā sastāva serviss without making any changes thereto. The audited financial statements are available from the Finance Department of the Commercial Directorate of SIA LDZ ritošā sastāva serviss. Consequently, these condensed financial statements correspond to the overall financial statements.



SIA LDZ INFRASTRUKTŪRA

CONSTRUCTING RAIL TRACKS AND CARRYING OUT THE CAPITAL REPAIRS THEREOF



JĀNIS CEICĀNS,
Chairman of the Board

VALDEMĀRS DAĻECKIS,
Member of the Board

MARINA KABAĻSKA,
Member of the Board

ENTS PUTNIŅŠ,
Member of the Board

JĀNIS LAPIŅŠ,
Member of the Board

SIA LDZ *Infrastruktūra* is a subsidiary of VAS *Latvijas dzelzceļš*, in which the latter holds 100% of the shares. The main types of the company's activities are as follows:

- construction and repairs of rail track and bridge superstructure;
- replacement of turnouts;
- repairs of railway vehicles, tools, mechanisms and the upgrading of wagons;
- rail welding works and transportation of continuously welded rails;
- installation and maintenance of drainage system;
- preparation of track subgrade.

Construction and capital repair of railway tracks is the company's principal activity, which accounted for 89% of total revenue in 2013, same as in 2012. The strategic contracting entity was VAS *Latvijas dzelzceļš*.

Main types of works completed by SIA LDZ *Infrastruktūra* in 2013

Type of services	Volume
Capital repairs of rail tracks (type A)	36 km
Repairs of rail tracks (type B)	44 km
Replacement of switches	32 pcs.

In 2013, rail track repair works (type B) of almost 21 km in length were completed. The works were started in 2012, but due to bad weather conditions could not be completed within the scheduled time.

In 2013, on average, SIA LDZ *Infrastruktūra* employed 485 employees. The number of the company's staff varies with the season. The average salary was 797.10 LVL – 4.3% higher than in 2012.

The company continued work aimed at its technological growth. In 2013, several items of machinery for increasing work efficiency (a gantry crane, wheel excavator, etc.) were purchased. A significant amount of resources was spent on capital repairs and upgrading of the rolling stock and technological equipment. Capital expenditures were financed using the resources derived from business activities.

Environment protection has always been one of the company's key operational priorities. The most important areas include soil and groundwater protection, rehabilitation of polluted areas, the monitoring of air, ground and groundwater and hazardous waste management. Technological solutions are being sought on a daily basis in order to improve production, reduce the impact on the environment and reduce energy consumption by carrying out measures related to the prevention of heat loss such as changing the windows of workshops, performing regular repairs of boiler houses and insulating the walls of workshops.

The areas where technical maintenance and repairs are carried out have been arranged in a way that prevents oil products from leaking into the soil and ground. Spilled liquids are immediately gathered with rags and different absorbers. Liquid waste (processed oil, cooling fluid) is collected in separate closed vats and, if necessary, transferred for disposal. All tanks, in which hazardous liquid waste is stored, are placed on metal supports, which prevent oil products from leaking and facilitates the collection of spilled oil products.

To prevent soil pollution, SIA LDZ *Infrastruktūra* has planned for a number of measures of environmental protection. Solid hazardous waste (absorbents and materials polluted with petroleum products) is collected and transferred for disposal in a timely manner. In 2013, separate waste collection was ensured (collecting utilised batteries, wastepaper, used materials of printers and copying machines (toners and cartridges) separately). Once a year ground water is monitored in the units, which allows to timely prevent possible threats to the quality of groundwater, prevent oil products from penetrating into the groundwater.

In 2013, the company continued work aimed at maintaining and improving the ISO 9001 and ISO 14001 standard systems.

SIA LDZ *Infrastruktūra* has set itself high quality standards, for example, all regional centres have acquired and put bulldozers with laser devices into operation that ensure the quality control of land levelling. This results in a high degree of compliance with the regulations applicable to construction and construction design.

The Company's mission is to ensure, through using advanced technologies,

the development (construction and repairs) of high standard railway infrastructure, guarantee safe and qualitative rail transport in the territory of Latvia and become the leading company that develops railway infrastructure (construction and repairs) in the Baltic States.

The key operational objectives of SIA LDZ *Infrastruktūra* are: to provide competitive capital repairs of rail infrastructure and expand the range of services provided, construct infrastructure, expand the volume of services involving road machinery and mechanisms, expand the range of services of the rail welding centre, increase its market segment by attracting external customers offering private track construction and repairs services to them, provide services to foreign railways.

The company will continue to maintain railway infrastructure according to the set standards, provide effective, safe and quality services that meet the market demand by raising productivity and increasing liability for the duties of the railway staff, organising the necessary training as well as ensuring implementation of the environmental protection policy and traffic safety.

FINANCIAL STATEMENTS

SIA LDZ INFRASTRUKTŪRA CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	15 428 729	14 894 624
Cost of goods sold	(13 513 966)	(12 667 290)
Gross profit/loss	1 914 763	2 227 334
Administrative expenses	(1 153 953)	(1 109 829)
Other operating income	90 528	99 439
Other operating expenses	(119 711)	(86 201)
Other interest income and similar income	1 109	243
Interest expense and similar expenses	(14 006)	(17 756)
Profit before taxes	718 730	1 113 230
Corporate income tax	(133 276)	(208 830)
Deferred corporate income tax	15 865	8 355
Other taxes	-	(345)
Profit after taxes for the reporting period	601 319	912 410

Riga, 6 March 2014

J. Ceicāns,
Chairman of the Board

V. Daļeckis,
Member of the Board

J. Lapiņš,
Member of the Board

M. Kabaļska,
Member of the Board

E. Putniņš,
Member of the Board

BALANCE SHEET

LVL

ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	331	906
SUBTOTAL I	331	906
II. Fixed Assets		
1. Land plots, buildings, structures and perennial plantings	184 036	176 184
2. Long-term investments in leased fixed assets	15 939	44 486
3. Equipment and machinery	2 224 262	2 565 778
4. Other fixed assets and fixtures	636 541	508 952
5. Fixed assets under construction and construction in progress	28 514	1 540
6. Advances paid for fixed assets	18 783	-
SUBTOTAL II	3 108 075	3 296 940
TOTAL LONG-TERM ASSETS	3 108 406	3 297 846
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	211 548	170 321
2. Work in progress	-	66 843
3. Finished goods and goods for sale	25 129	18 455
4. Advance payments for goods	81 216	174 042
SUBTOTAL I	317 893	429 661
II. Accounts Receivable		
1. Trade receivables	928 752	365 582
2. Receivables from related undertakings	829 702	3 237 581
3. Other receivables	180 323	164 037
4. Prepaid expenses	9 768	30 422
SUBTOTAL II	1 948 545	3 797 622
III. Cash	1 396 032	816 903
SUBTOTAL II	1 396 032	816 903
TOTAL CURRENT ASSETS	3 662 470	5 044 186
TOTAL ASSETS	6 770 876	8 342 032

BALANCE SHEET

LVL

EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	3 789 849	3 789 849
2. Reserves: other reserves	7 589	7 589
3. Retained earnings b/f	397 673	233 439
4. Retained earnings: profit for the reporting year	601 319	912 410
TOTAL EQUITY	4 796 430	4 943 287
2. PROVISIONS		
1. Other provisions	179 199	178 140
TOTAL PROVISIONS	179 199	178 140
3. LIABILITIES		
I. Long-term liabilities		
1. Other borrowings	8 509	20 978
2. Deferred tax liabilities	95 480	111 345
SUBTOTAL I	103 989	132 323
II. Current liabilities		
1. Other borrowings	12 439	35 454
2. Advances from customers	799	723 570
3. Trade payables	632 779	1 215 857
4. Amounts owed to related undertakings	289 738	411 981
5. Taxes and mandatory state social security contributions	313 282	319 556
6. Other payables	277 706	242 152
7. Accrued liabilities	164 515	139 712
SUBTOTAL II	1 691 258	3 088 282
TOTAL LIABILITIES	1 795 247	3 220 605
TOTAL ASSETS	6 770 876	8 342 032

Riga, 6 March 2014

J. Ceicāns,
Chairman of the Board

V. Daļeckis,
Member of the Board

J. Lapiņš,
Member of the Board

M. Kabaļska,
Member of the Board

E. Putniņš,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of SIA LDZ infrastruktūra without making any changes thereto. The audited financial statements are available from the management of SIA LDZ infrastruktūra. Consequently, these condensed financial statements correspond to the overall financial statements.

SIA LDZ APSARDZE

PROVIDING SECURITY SERVICES ACROSS THE WHOLE TERRITORY OF LATVIA



ARNIS MACULĒVIČS,
Chairman of the Board

LINDA BALTIŅA,
Member of the Board

SIA LDZ *apsardze* is a subsidiary of VAS Latvijas dzelzceļš, in which the latter owns 100% of the shares.

The company's principal activities are the provision of security and investigation services, mainly to the Group's companies. SIA LDZ *apsardze* operates over almost the whole territory of Latvia. The head office and the Riga security team are based in Riga, while the regional groups are based in major cities such as Daugavpils, Rēzekne, Jelgava, Venstpils, Liepāja, Jēkabpils.

The company is engaged in providing the following services: physical security services (rail freight, building and territory security services), ensuring the pass regime, security at mass events, patrolling, bodyguard services; mobile fast response teams responding to alarm signals) and technical security (advising on the most appropriate security systems; system design; system installation; technical support for systems; system management-responding to alarm signals; guarding of the territory of an object; surveillance of premises and territories including remote video surveillance). The company's customer base includes commercial companies, private persons, municipality enterprises and public entities external to the Group.

The special Category 2 permit issued for an unlimited term for security activity No. 800, the industrial security certificate No. 57 and inspection certificate No LV-235 issued by the Railway Safety Inspection of the Republic of Latvia enable the Company to install, repair and perform the technical maintenance of the technical equipment of the railway infrastructure (video-surveillance, security, fire-safety, telecommunication systems).

The Company's management system has been certified as compliant with the requirements of the ISO 9001:2009 standard.

In 2013, SIA LDZ *apsardze* had a stable performance, the growth trends identified in the previous years prevailed and the range of technical security services was expanded. The Company's business rests on the provision of a wide range of security and fire-safety services to the companies of the Group and other companies, as well as individuals. New contracts regarding the assembly of technical security and fire-safety equipment for the performance of works, engaging additional labour on the basis of contracts for services, have been concluded.

In 2013, SIA LDZ *apsardze*:

- provided on-the-spot security services in 62 objects and security services using

the technical security equipment in 1,027 objects;

- in the last 12 months 96 offenders were detained and handed over to the police;
- installed technical security equipment in 174 objects; the biggest of them being:
 - VAS Latvijas dzelzceļš (General Directorate building at 3 Gogoļa Street, Riga) – the fitting of an address fire-safety alarm system and video surveillance and access control systems;
 - VAS Latvijas dzelzceļš (Šķirotava Station yard area at 24 Krustpils Street, Riga) – upgrading of video surveillance system;
 - VAS Latvijas dzelzceļš (Liepāja Station yard area at 71 Rīga Street, Liepāja) – the instalment of video surveillance systems;
 - VAS Latvijas dzelzceļš (Ventspils Central yard area at 16 Kurzemes Street, Ventspils) - the upgrading of video surveillance system;
 - SIA LDZ Cargo (37 Dzintaru Street, Ventspils) – the installation of video surveillance systems in the Ventspils seaport fleet area;
 - LDZ Cargo Ltd (23b Kroņļu Street, Riga) – the instalment of video surveillance systems in the territory of Zemitāni Station;

- LDZ ritošā sastāva serviss – fitting of analytical video surveillance systems in the Oil base area (24 Krustpils Street, Riga);
- SIA LDZ Cargo – fitting of analytical video surveillance systems in the LEN-1 territory (24 Krustpils Street, Riga);
- 101,000 freight wagons were provided with *en route* security;
- more than 58 thefts from guarded objects were prevented.

In 2013, the new main Operative Management Centre with a video surveillance hall became operational. It has been equipped in accordance with the highest safety standards, fitted with the most advanced operative management and video surveillance systems and an autonomous energy supply. Owing to the new centre, the range of technical security services has been enhanced, allowing our customers to save costs on security services.

The upgrading of the methods of providing security services to the railway infrastructure objects adjacent to the railway right of way and railway freight security has been launched.

The key asset of the company is its employees. On average, 419 employees were employed by SIA LDZ *apsardze* in 2013, with an average monthly wage of 537 LVL. The workers specialise in

guarding railway objects according to the nature of the customer's objects. The professional skills and knowledge of the employees are improved on a regular basis, through carrying out new training programmes matching the strategic objectives and needs of the company.

Having assessed the current situation in Latvia, it is expected that the risks related to property and personal safety will continue to prevail in the future as well, therefore particular attention will need to be paid to preventing thefts. The company will continue the provision of security services focussing on large-scale orders, and will expand services in the territories where the fast-response teams are currently based. Greater attention will be paid to the development of new services, improving the technical resources and increasing the share of technical security services in the total volume of security services.

SIA LDZ *apsardze* plans to employ an advanced railway freight security method in the nearest future which will mean railway freight and the railway infrastructure objects adjacent to the railway right of way will be guarded efficiently, concurrently allowing the territory of the provision of the technical security services to be expanded.



FINANCIAL STATEMENTS

SIA LDZ APSARDZE CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	4 397 708	4 001 272
Cost of goods sold	(3 971 742)	(3 679 014)
Gross profit/loss	425 966	322 258
Administrative expenses	(391 020)	(278 808)
Other operating income	28 839	8 540
Other operating expenses	(37 827)	(33 367)
Other interest income and similar income	282	274
Profit before taxes	26 240	18 897
Corporate income tax	(10 644)	(6 354)
Other taxes	–	(403)
Profit after taxes for the reporting period	15 596	12 140

Riga, 10 February 2014

A. Maculēvičs,
Chairman of the Board

L. Baltiņa,
Member of the Board

BALANCE SHEET

LVL

ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	10	21
SUBTOTAL I	10	21
II. Fixed Assets		
1. Land plots, buildings, structures and perennial plantings	128 007	142 230
2. Long-term investments in leased fixed assets	4 680	3 330
3. Other fixed assets and fixtures	79 799	72 582
SUBTOTAL II	212 486	218 142
III. Long-term financial investments		
SUBTOTAL III		
TOTAL LONG-TERM ASSETS	212 496	218 163
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	52 987	39 974
2. Advance payments for goods	677	25
3. Working animals and productive animals	1	1
SUBTOTAL I	53 665	40 000
II. Accounts Receivable		
1. Trade receivables	40 438	15 639
2. Receivables from related undertakings	544 401	582 354
3. Other receivables	3 819	11 055
4. Prepaid expenses	12 491	11 020
SUBTOTAL II	601 149	620 068
III. Cash	181 083	194 466
SUBTOTAL II	181 083	194 466
TOTAL CURRENT ASSETS	835 897	854 534
TOTAL ASSETS	1 048 393	1 072 697

BALANCE SHEET

LVL

EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	210 000	210 000
2. Reserves: other reserves	124 268	112 502
3. Retained earnings b/f	-	9 581
4. Retained earnings: profit for the reporting year	15 596	12 140
TOTAL EQUITY	349 864	344 223
2. PROVISIONS		
1. Other provisions	140 767	136 300
TOTAL PROVISIONS	140 767	136 300
3. LIABILITIES		
II. Current liabilities		
1. Advances from customers	2 056	64
2. Trade payables	44 869	87 922
3. Amounts owed to related undertakings	23 892	24 526
4. Taxes and mandatory state social security contributions	274 761	270 132
5. Other payables	210 582	206 081
6. Accrued liabilities	1 602	3 449
SUBTOTAL II	557 762	592 174
TOTAL LIABILITIES	557 762	592 174
TOTAL ASSETS	1 048 393	1 072 697

Riga, 10 February 2014


A. Maculēvičs,
Chairman of the Board

L. Baltiņa,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of SIA LDZ *apsardze* without making any changes thereto. The audited financial statements are available from the management of SIA LDZ *apsardze*. Consequently, these condensed financial statements correspond to the overall financial statements.



AS LATRAILNET

PERFORMING THE KEY FUNCTIONS OF THE MANAGER OF PUBLIC USE RAILWAY INFRASTRUCTURE



AINIS STŪRMANIS,
Chairman of the Board

GUNTARS LAPIŅŠ,
Member of the Board
(from 8 August 2013)

AS *LatRailNet* is the subsidiary of VAS *Latvijas dzelzceļš*, in which the latter owns 100% of the capital shares. The company's main task is to carry out the key functions of the manager of the public use railway infrastructure – setting the charge for the use of railway infrastructure for transportation, capacity allocation and assigning the trains of a particular carrier.

The public use railway infrastructure in Latvia is freely accessible and open for carrying freight and passengers by rail, as well as for ensuring technological processes. All carriers that have obtained a carrier's licence and the safety certificate, and have submitted an application for the use of infrastructure capacity to the AS *LatRailNet*, may qualify for the use of the railway infrastructure capacity.

AS *LatRailNet* takes decisions on the charge of using public rail infrastructure and capacity allocation on the basis of the equality principle and the requirements of the best use of rail infrastructure. In performing its functions, AS *LatRailNet* has a duty to ensure equal, just and non-discriminating access to railway infrastructure to all carriers.

AS *LatRailNet* is responsible for developing a programme of

independence requirements laying down the duties of particular employees and measures to prevent unequal treatment of carriers, and ensures sufficient control over the compliance therewith. In turn, the State Railway Administration monitors compliance with the independence requirements and reviews the complaints of the carriers regarding the breaches of such independence requirements.

Two passenger and three freight carriers use the capacity of the public railway infrastructure in Latvia.

The key functions of the manager of the public use railway infrastructure are:

- decision-making regarding the charges for rail infrastructure use;
- setting of an increased charge for the use of rail infrastructure on busy sections and at peak times of the respective infrastructure;
- granting economically justified charge discounts for the use of the rail infrastructure, which encourages the best use of the infrastructure capacity;
- allocating the rail infrastructure capacity among carriers based on the submitted applications regarding the use of the respective railway infrastructure;
- decision-making regarding the assignment of a train of a particular carrier.

The use of public rail infrastructure for transport by rail is subject to infrastructure charges, as well as increased charges and discounts for the use of rail infrastructure, which are calculated for different train categories using the methodology, developed by the Public Utilities Commission, and ensure infrastructure charges that are cost-based and meet the following principles:

- the estimated cost base consists of the current rail infrastructure maintenance and management costs estimated by the manager, as increased by the depreciation charge and the profit margin (capital expenditures for the development of infrastructure);
- the cost base with various cost drivers is allocated by reference to different train categories;
- freight volume is estimated for each train category based on which the cost base of the respective train category is allocated to determine charges for the use of rail infrastructure;
- discounts or increased charges may apply to infrastructure charge in accordance with the procedure prescribed by the Public Utilities Commission.

AS *LatRailNet* is responsible for the allocation of the rail infrastructure capacity and the assignment of the train of a particular operator, ensuring that the railway infrastructure capacity is allocated in a manner that ensures equal treatment of railway carriers and consistently with the principle of best use of the railway infrastructure. Priority in allocating the railway infrastructure capacity is given to transportation services that are provided on the basis of contracts of carriage with the State or a municipality, i.e. mainly for the carriage of passengers.

Capacity allocation must consider the capacity required for the technological needs of the manager as well as repairs. The procedure of capacity allocation is based on a number of criteria, such as previous cooperation between the carrier and the manager, the frequency, intensity and duration of use of the rail infrastructure, as well as the compliance of train technical parameters with rail infrastructure efficiency requirements.

Where possible, the full capacity requested in its application is granted to the carrier. If the requested capacity exceeds the available capacity, 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, to reduce the total weight of the passenger train or to use a traction unit with better traction parameters; to increase the total weight of a freight train, to use a traction unit with better traction parameters or to give up some of the requested capacity. Where it is impossible to grant all the capacity requested in the application, the rail carriers may agree on the volume of the requested capacity with other railway carriers, who have applied for the capacity in the particular section.

AS *LatRailNet* takes a decision on the allocation of the capacity and approves the annual capacity allocation plan not later than by 15 December of the current year.

The assignment of trains occurs within the scope of the daily capacity allocation plan. It includes determining exact train departure times and regulation of the movement of the locomotives of carriers.

FINANCIAL STATEMENTS

AS LATRAILNET CONDENSED ANNUAL REPORT FOR 2013

INCOME STATEMENT

(prepared under the revenue-cost method)

LVL

ITEM	2013	2012
Net turnover	806 349	778 006
Cost of goods sold	(336 554)	(362 957)
Gross profit/loss	469 795	415 049
Administrative expenses	(441 781)	(391 828)
Other operating income	4 516	3 076
Other operating expenses	(7 322)	(19 656)
Other interest income and similar income	39	150
Profit before taxes	25 247	6 791
Corporate income tax	(6 217)	(5 306)
Profit after taxes for the reporting period	19 030	1 485

Riga, 26 February 2014



A. Stūrmanis,
Chairman of the Board



G. Lapiņš,
Member of the Board

BALANCE SHEET

	LVL	
ASSETS	At 31.12.2013.	At 31.12.2012.
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	14 033	13 279
SUBTOTAL I	14 033	13 279
TOTAL LONG-TERM ASSETS	14 033	13 279
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	1 080	1 359
2. Advance payments for goods	3 977	2 779
SUBTOTAL I	5 057	4 138
II. Accounts Receivable		
1. Trade receivables	76	11
2. Receivables from related undertakings	-	18 150
3. Other receivables	1 099	3 250
4. Prepaid expenses	4 061	6 826
SUBTOTAL II	5 236	28 237
III. Cash	164 403	115 526
SUBTOTAL II	164 403	115 526
TOTAL CURRENT ASSETS	174 696	147 901
B I L A N C E	188 729	161 180

BALANCE SHEET

	LVL	
EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
1. EQUITY		
1. Share capital	25 000	25 000
2. Retained earnings b/f	2 956	2 689
3. Retained earnings: profit for the reporting year	19 030	1 485
TOTAL EQUITY	46 986	29 174
2. PROVISIONS		
1. Other provisions	17 310	20 363
TOTAL PROVISIONS	17 310	20 363
3. LIABILITIES		
I. Current liabilities		
1. Trade payables	8 068	3 037
2. Amounts owed to related undertakings	7 050	10 721
3. Taxes and mandatory state social security contributions	69 008	57 555
4. Other payables	37 807	37 830
5. Accrued liabilities	2 500	2 500
SUBTOTAL II	124 433	111 643
TOTAL LIABILITIES	124 433	111 643
TOTAL ASSETS	188 729	161 180

Riga, 26 February 2014


A. Stürmanis,
Chairman of the Board

G. Lapiņš,
Member of the Board

NOTES

Basis of preparation of the condensed financial statements

These condensed financial statements, consisting of a balance sheet as at 31 December 2013 and an income statement for 2013, are based on the respective information of the audited 2013 financial statements of AS *LatRailNet* without making any changes thereto. The audited financial statements are available at AS *LatRailNet*. Consequently, these condensed financial statements correspond to the overall financial statements.



CONSOLIDATED INCOME STATEMENT

LATVIJAS DZELZCEĻŠ GROUP CONDENSED ANNUAL REPORT FOR 2013

ITEM	2013	2012
Net turnover	308 552	333 997
Cost of goods sold	(301 841)	(305 687)
Gross profit/loss	6 711	28 310
Administrative expenses	(22 330)	(22 555)
Other operating income	23 550	29 275
Other operating expenses	(3 226)	(5 114)
Loss from participation in associated undertakings	(40)	-
Income from long-term investments	105	129
Finance income	56	247
Finance costs	(1 703)	(1 911)
Profit before taxes	3 123	28 381
Corporate income tax	(678)	(2 569)
Profit after taxes for the reporting period	2 445	25 812

Riga, 3 April 2014



U. Magonis,
Chairman of the Board



E. Bērziņš,
Member of the Board



A. Strakšas,
Member of the Board



Ē. Šmuksts,
Member of the Board

NOTES

Basis of preparation of the condensed consolidated financial statements.

These condensed consolidated financial statements, consisting of a consolidated statement of the financial position as at 31 December 2013, a consolidated income statement and a consolidated statement of comprehensive income for the reporting year ended on 31 December 2013 have been prepared based on the respective information of the audited 2013 consolidated financial statements of VAS *Latvijas dzelzceļš*, without making any changes thereto. The audited consolidated financial statements are available from the management of VAS *Latvijas dzelzceļš*. Consequently, these condensed consolidated financial statements correspond to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

LATVIJAS DZELZCEĻŠ GROUP CONDENSED ANNUAL REPORT FOR 2013

ITEM	2013	2012
Profit for the reporting year	2 445	25 812
Other income:		
Items that will not be reclassified to profit or loss		
Revaluation of fixed assets	51 418	-
Corporate income tax, directly recognised in other income	(7 713)	-
Other income for the reporting year	43 705	-
Other comprehensive income for the reporting year	46 150	25 812
Profit for the year and comprehensive income attributable to the owners of the Group's parent	46 150	25 812

Riga, 3 April 2014



U. Magonis,
Chairman of the Board



E. Bērziņš,
Member of the Board



A. Strakšas,
Member of the Board



Ē. Šmuksts,
Member of the Board

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

LATVIJAS DZELZCEĻŠ GROUP CONDENSED ANNUAL REPORT FOR 2013

LVL'000

ASSETS	At 31.12.2013.	At 31.12.2012.
LONG-TERM INVESTMENTS		
Fixed assets	503 670	427 656
Intangible assets	1 186	1 079
Advance payments for fixed assets	23 438	15 341
Long-term financial investments	347	347
Participation in the capital of associated undertakings	136	1
TOTAL LONG-TERM INVESTMENTS	528 777	444 424
CURRENT ASSETS		
Inventories	24 285	28 285
Trade and other receivables	13 175	11 731
Corporate income tax	1 899	2 178
Cash and cash equivalents	35 606	58 200
TOTAL CURRENT ASSETS	74 965	100 394
TOTAL ASSETS	603 742	544 818

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

LATVIJAS DZELZCEĻŠ GROUP CONDENSED ANNUAL REPORT FOR 2013

LVL'000

EQUITY AND LIABILITIES	At 31.12.2013.	At 31.12.2012.
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to the majority shareholders of the Group:		
Share capital	114 929	114 851
Long-term investment revaluation reserve	43 705	-
Other reserves	38 454	33 805
Retained earnings b/f	51 301	44 012
Comprehensive income of the current year	2 445	25 812
TOTAL EQUITY	250 834	218 480
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	18 198	11 396
Provisions	548	174
Borrowings from credit institutions	82 056	71 915
Other borrowings	1 980	21
Trade payables	4 862	3 580
Deferred income	151 635	143 618
TOTAL NON-CURRENT LIABILITIES	259 279	230 704
CURRENT LIABILITIES		
Borrowings from credit institutions	15 558	13 787
Other borrowings	101	35
Provisions	21 151	23 234
Trade and other payables	30 760	30 875
Corporate income tax	5	1 010
Taxes and national social insurance mandatory contributions	11 802	10 394
Deferred income	14 252	16 299
TOTAL CURRENT LIABILITIES	93 629	95 634
TOTAL LIABILITIES	352 908	326 338
TOTAL EQUITY AND LIABILITIES	603 742	544 818

Riga, 3 April 2014



U. Magonis,
Chairman of the Board



E. Bērziņš,
Member of the Board



A. Strakšas,
Member of the Board



Ē. Šmuksts,
Member of the Board





