APPROVED
by Resolution No. A1.1/4-1
of the Minutes of the Shareholders'
Meeting of SJSC Latvijas dzelzceļš
of 15.04.2026

State joint stock company “Latvijas dzelzceļš”

Annual report for 2025

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MANAGEMENT REPORT

ON THE ECONOMIC ACTIVITY OF VAS LATVIJAS DZELZCEĻŠ IN 2025

1. DESCRIPTION OF STATE JOINT STOCK COMPANY LATVIJAS DZELZCEĻŠ

State Joint Stock Company Latvijas dzelzceļš (hereinafter also referred to as "LDz" or "the Company") is one of the largest companies in Latvia which through its economic activities makes a significant contribution to the national economy by ensuring the use of railway infrastructure for passenger and freight transport.

The share capital of LDz as at 31 December 2025 amounts to EUR 374 420 thousand and is comprised of 374 419 791 shares. All shares are held by the Republic of Latvia and are fully paid up. The holder of the state shares is the Ministry of Transport.

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway services in the interests of the state and the Latvian national economy. As the manager of the railway infrastructure in public use, LDz owns, as at 31 December 2025, a rail network with an extended length of 3 176.76 km, including technologically connected station tracks and sidings, as well as other infrastructure facilities.

LDz is the parent company of the Latvijas Dzelzceļš Group (hereinafter also referred to as "the Group"). The Group consists of the parent company and three subsidiaries, which together provide customers with a wide range of railway services. Until 3 October 2025, LDz also owned SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika, which were merged into SIA LDZ CARGO via reorganization. As a result, the reorganization of the Group that began in the spring of 2025 has been completed. Its aim was both to simplify the Group's structure and reduce costs, as well as to establish SIA LDZ CARGO as a unified, strong, competitive, and profitable company. The reorganization was carried out on the basis of the Cabinet of Ministers Order No. 373 of 25 June 2025, On the termination of the decisive influence and participation of the state joint-stock company Latvijas dzelzceļš in the limited liability company LDZ ritošā sastāva serviss and the limited liability company LDZ Loģistika. On 3 October 2025, the Enterprise Register of the Republic of Latvia adopted Decision No. 6-12/86409, On the entry of the reorganization in the Commercial Register.

LDz provides services referred to in the Section 12^1, Paragraph 1 of the Railway Law, i.e. the public-use railway minimum access service package and access to the public-use railway infrastructure connecting it with the service points, as well as freight wagon sorting and assembly, wagon technical maintenance and inspection services (until 1 November 2025), electricity distribution and trade services, rental services, information technology services, electronic communication services, as well as other services.

The merged company SIA LDZ CARGO, which until now has offered international and domestic freight transport services, including the transport of dangerous and oversized goods, as well as other services related to railway freight transport, now also provides rolling stock repair, modernization, maintenance, and outfitting services, as well as freight forwarding services. In this way, the company is becoming one of the largest and most comprehensive transport and logistics service providers in the region, with clear ambitions to strengthen its leading position in the Baltic market and expand its operations in Europe and other markets. SIA LDZ CARGO carries out freight transport in Latvia and Estonia.

SIA LDZ apsardze provides physical security services for various objects and railway cargoes, designs and assembles various security, fire safety, and video surveillance systems, which are subject to technical maintenance and maintenance during operation, as well as monitor the received alarm signals.

AS LatRailNet provides the following essential functions of LDz: decision-making on capacity allocation, allocation of train paths, including both access determination and assessment and allocation of individual train paths; decision-making on infrastructure charges, including determination of charges and collection; as well as other functions that are delegated by legislation to the infrastructure manager performing essential functions.

Since 2016, LDz has been preparing a Sustainability Statement to improve good corporate governance practices and develop awareness of social responsibility within the Group, as well as to strengthen sustainable yet innovative thinking in the tradition-rich railway sector. For 2025, LDz, as the

Group's parent company, has prepared a consolidated sustainability statement. It is included in LDz's consolidated annual report for 2025.

In 2025, the average number of staff was 3 160, which was 516 employees less compared to 2024. The number of employees has been reduced as a result of targeted measures implemented by LDz in 2025 to optimise the number of employees and costs, through a review of functions and changes in the organisational structure.

In 2025, the Group had an average workforce of 4 959 employees, which was 783 employees less compared to 2024.

2. OPERATING PERFORMANCE

LDz's business activities since March 2022 have been significantly affected by external factors related to changes in the geopolitical situation and international economic sanctions imposed against Russia and Belarus as a result of the hostilities in Ukraine.

In recent years, LDz and the Group have undergone a significant transformation from its historical focus on freight transport towards the development of a modern passenger infrastructure.

The most important indicator of LDz's performance is the number of km travelled by trains, which is the basis for calculating infrastructure user charges and determines infrastructure depreciation.

In 2025, LDz public use infrastructure was used to transport 21 334 thousand passengers (AS Pasažieru vilciens) by 7 843 thousand train-km in passenger traffic (including 48.3 thousand train-km by SIA Gulbenes-Alūksnes bānītis and 56.1 thousand train-km by UAB LTG Link) and 9 454 thousand tonnes of freight by 1 935 thousand train-km.

In 2025, the number of train-kilometres (including technological train-kilometres but excluding train-kilometres operated for the internal needs of LDz) decreased overall by 3.4% compared with 2024. In passenger transport, the number of train-kilometres increased by 3.1%, while in freight transport the number of train-kilometres decreased by 22.9%.

In 2025, the number of passengers carried by JSC Pasažieru vilciens on the broad-gauge railway lines reached 21 334 thousand, an increase of 9.7% compared to the previous year.

The volume of freight transported in 2025 was 9 454 thousand tonnes, a decrease of 2 013 thousand tonnes (17.6%) compared to 11 467 thousand tonnes in 2024.

Imports constituted the majority of freight transportation, representing 56.2% of the total freight volume. Its volume in 2025 was 5 314 thousand tons, which is a 25.3% decrease compared to the previous year.

In 2025, the most significant share of transport is accounted for by grain, grain processed products, seeds, and fruit (39.8%) and oil and petroleum products (22.5%). In the total volume of transport, the share of fertiliser transport is 10.2%, and the share of timber and timber product transport is 5.5%. The share of other cargo is 22.0%. No coal was transported in 2025.

In 2025, the Company will continue to work on the priorities set in the previous years – improving operational efficiency, reviewing business, organisational and technological processes in order to increase the efficiency of the Group’s business operations and reduce costs, as well as to ensure the Group’s competitive and sustainable operations in the future.

LDz ensures compliance with Regulation No 01-02/60 of the Ministry of Transport of 9 December 2022 *Procedure for monitoring the implementation of financial stability of the manager of the public railway infrastructure*.

In 2025, net sales amount to EUR 142 549 thousand, which is EUR 12 552 thousand or 8.1% less than in 2024.

In 2025, the Company’s operating result is a loss of EUR 1 180 thousand (2024: loss of EUR 32 847 thousand).

As a result of the economic activity, the funds required to ensure the financial stability of the national public railway infrastructure manager, as laid down in national legislation, amounting to EUR 24 498 thousand (“the Financial Stability”) have been recognised in 2025. The financial stability has been recognised following the guidelines of the IFRS® Accounting Standards and in the amount provided for in Section 72 of the law *On the State Budget for 2026 and Budget Framework for 2026, 2027, and 2028*. The request for coverage of financial stability will be submitted after approval of the

LDz annual report, in accordance with the procedure set out in Section 9, Paragraph 4 of the Railway Law and in the Multi-Annual Agreement concluded with the Ministry of Transport on the planning and financing of the maintenance and development of the State public-use railway infrastructure for the period 2025–2029.

According to the Order of the Ministry of Transport No 01-03/8 of 8 January 2025 *On subsidy to VAS Latvijas dzelzceļš for compensation of the costs of the minimum access service package and maintenance of service points in 2025*, and Order of the Ministry of Transport No 01-03/110 of 26 May 2025 *On Amendments to the Order of the Ministry of Transport No 01-03/8 of 8 January 2025 On the subsidy to VAS Latvijas dzelzceļš for compensation of the costs of the minimum access service package and maintenance of service points in 2025*, for the minimum access service package and access to the infrastructure connecting the infrastructure with the service points, including passenger stations where passenger traffic is interrupted, the state budget funding of EUR 49 331 thousand was allocated to the manager of the public railway infrastructure for the financial stability of the passenger transport segment and EUR 350 thousand for the maintenance of the unused service points. Without the Financial Stability payments mentioned above, the total amount of the State budget funding (subsidy) included into net turnover for 2025 amounts to EUR 49 681 thousand.

As at 31 December 2025, the current liabilities of LDz exceed its current assets by EUR 50 thousand. The total liquidity ratio is 1.0. Current liabilities include deferred revenue of EUR 13 556 thousand related to the EU project and state budget fund investments in railway public infrastructure. Excluding deferred income related to investments in public railway infrastructure by EU projects and state budget funds, the liquidity ratio is 1.2. As at 31 December 2025, no borrowings were in default.

Debt-to-assets (total liabilities / assets) as at 31 December 2025 is 0.6. The main criterion for assessing the level of liabilities is the level of financial risk. The risk is influenced by the sources and types of financing of the assets: as the share of borrowed capital in the liabilities of the balance sheet increases, so does the level of financial risk. Liabilities include deferred revenue related to the EU project and state budget fund investments in railway public infrastructure. Excluding deferred income related to the investment of EU projects and state budget funds, the liability ratio on the balance sheet is 0.2. In assessing the financial ratios, it should be noted that co-financing received from European Community funds and the State for EU investment projects is shown in the balance sheet liability *Deferred income* and written off against the current year's depreciation of established items in the Statement of Comprehensive Income under *Other income*, with depreciation of items included under *Depreciation, amortisation and impairment*.

Despite declining rail freight volumes, LDz continued to ensure the quality of infrastructure and provided services, as well as the required level of safety. The total amount of capital expenditure of LDz in 2025 was EUR 62 712 thousand, including:

- EUR 15 519 thousand was invested in renewal, of which
  - EUR 13 352 thousand was allocated to capital repairs,
  - EUR 1 096 thousand to the renewal of existing IT systems.
  - During the reporting period, technological equipment for track repair and maintenance was also acquired, as well as equipment for the further development of information systems and communication means, and intangible assets, amounting in total to EUR 1 071 thousand;
- investments in infrastructure development amounted to EUR 47 193 thousand, including
  - EUR 395 thousand for the implementation of innovative technologies
  - EUR 46 798 thousand for other development activities.

Construction in progress includes materials purchased for investment projects amounting to EUR 3 469 thousand.

In 2025, the Company did not incur any costs related to research and development activities.

3. OBJECTIVES AND FUTURE DEVELOPMENT

Strategic objective and development

Under Cabinet Order No. 421 of 6 June 2021, the general strategic objective of LDz was approved in the following wording: "*To ensure efficient, safe and sustainable management of railway infrastructure, offering also competitive logistics, railway rolling stock repair and maintenance services, security services of strategically important objects, promoting the development of environmentally friendly rail transport*". In 2026, the updated general strategic objective is expected to be approved by a decision of the Cabinet of Ministers, and no significant changes are anticipated.

The objectives and tasks to be achieved in 2026 and the following years will be implemented in accordance with the planning and regulatory documents of LDz. At present, active work is underway on the development of the Medium-Term Operational Strategy for 2026-2030, as in 2025 several strategically significant planning documents for the sector were approved and decisions were taken to restructure European Union investment programmes for the 2021-2027 programming period.

On 11 November 2025, the Cabinet of Ministers approved the Indicative Railway Infrastructure Development Plan for 2025–2029 (Protocol No. 47/29.§) (hereinafter – the Indicative Plan), which establishes a unified and strategically aligned framework for the development of railway infrastructure across the entire national public-use railway network. The Indicative Plan sets out the directions for the development and renewal of railway infrastructure, giving priority to the development of passenger transport in order to improve regional connectivity and meet future mobility needs. It outlines a targeted transition towards a more modern, efficient, and sustainable railway infrastructure, providing for technical modernisation and electrification, the development of passenger infrastructure, an increase in line speeds, as well as the integration of Rail Baltica with the LDz's network. At the same time, significant attention is devoted to strengthening freight transport capacity and developing multimodal transport solutions. The total investment volume planned for the implementation of the measures under the Plan for the period 2025–2029, including contributions from European Union funds, the state budget, and LDz, amounts to approximately EUR 784 million. This financing enables both the renewal and modernisation of existing infrastructure and the implementation of new development projects, thereby reinforcing the role of railways within Latvia's transport system and the national economy as a whole. On 30 December 2025, in order to ensure the implementation of the Indicative Plan, and following its approval by the Cabinet of Ministers, the Ministry of Transport and LDz concluded a Multi-Annual Agreement for the planning and financing of the maintenance and development of the state public-use railway infrastructure for 2025-2029, in accordance with Section 10 of the Railway Law ("the Multi-Annual Agreement"). The Multi-Annual Agreement sets out specific performance indicators expected by the state in relation to the railway infrastructure. It also defines the structure of payments for financing the public-use railway infrastructure manager, and establishes clear cooperation principles and stable financing mechanisms for the entire planning period, creating a predictable environment for planning and implementing infrastructure works.

On 30 December 2025, the shareholder (the Ministry of Transport) issued a Shareholder's Expectations Letter (No. A1.1/6-1), providing a clear mandate from the shareholder and defining the medium-term targets to be achieved over a three-to-seven year horizon.

Taking into account the approved Indicative Plan, the concluded Multi-Annual Agreement, and the mandate set out in the Shareholder's Expectations Letter, a draft LDz Medium-Term Operational Strategy 2026–2030 was prepared at the end of 2025 and approved by the Management Board through Decision No. VL-1.6/433-2025 of 16 December 2025. On 13 February 2026, the draft Medium-Term Operational Strategy was approved by the Council and submitted to the Ministry of Transport and the Cross-Sectoral Coordination Department of the State Chancellery for their opinions. It is planned that the final version of the LDz Medium-Term Operational Strategy 2026-2030 will be approved during 2026.

The draft LDz Medium-Term Operational Strategy defines the following main strategic development directions in line with the shareholder's letter of expectations:

- governance and risk management;
- quality of infrastructure for mobility needs;
- commercial activity;
- sustainability and human capital.

The strategic development directions are closely aligned with national policy priorities and the sustainable development objectives of LDz.

To implement the strategy, eight priority development goals have been defined, which elaborate and reinforce each of the strategic development directions, ensuring not only a comprehensive but also a targeted approach focused on concrete improvements. These goals help to effectively utilise the potential of existing capital and support the sustainable transformation of the company.

Project execution

VAS Latvijas dzelzceļš makes significant investments in the modernisation and development of railway infrastructure with the support of EU and state budget funds.

The geopolitical situation, the need to coordinate technical solutions with third parties, as well as other unforeseen circumstances, have had a significant impact on the delivery of construction timelines.

The projects RAILWAY PASSENGER INFRASTRUCTURE MODERNISATION and RAILWAY INFRASTRUCTURE MODERNISATION FOR INCREASING TRAIN SPEEDS were phased across two EU structural fund programming periods.

Within the project RAILWAY PASSENGER INFRASTRUCTURE MODERNISATION, by the end of 2025, the value of works completed reached 66%, with 16 stations handed over for final operational use and 15 stations placed into temporary operation. Despite the progress achieved during 2025, an unsatisfactory pace of construction works is evident across all construction contracts.

The slowest pace of works is on the Rīga – Krustpils line, where the value of works completed by the end of 2025 had reached only 10%. A decision is being advanced regarding the termination of the contract with the construction contractor. In parallel, on 15 August 2025, LDz announced a procurement procedure for the completion of construction works on the Rīga – Krustpils line. Two bids were received, both exceeding the planned contract value. LDz does not have the financial resources available to enter into the contract. To facilitate the implementation of the project, LDz has prepared a proposal for the reallocation of financing between LDz projects.

Within the project RAILWAY INFRASTRUCTURE MODERNISATION FOR INCREASING TRAIN SPEEDS MOVEMENT, Stage 2, the project performance indicator was achieved in December 2025 — 74% of the planned overhead contact line was constructed, with 68 km of renewed/modernised contact line placed into temporary operation on the Rīga – Jelgava and Rīga – Aizkraukle lines. The project is scheduled for completion in 2026, with all works to be handed over for final operational use.

At the same time, the Ministry of Transport, in cooperation with LDz and the Rail Baltica project implementing bodies RB Rail AS and the limited liability company EIROPAS DZELZCEĻA LĪNIJAS, develop proposals for the development of a unified railway network in Latvia for the 2021–2027 European Union multiannual budget period. These proposals include improvements and modernization of the railway network to ensure competitive passenger rail transport, as well as the necessary investments in railway infrastructure, while ensuring synergy between the 1 520 mm network and Rail Baltica infrastructure, and gradually reallocating Recovery and Cohesion Fund resources for 2021–2027.

LDz has proactively commenced activities for the preparation and implementation of two further projects within the 2021–2027 EU programming period – DEVELOPMENT OF THE CONNECTING INFRASTRUCTURE OF THE RĪGA RAILWAY HUB (RIX-RCS – Aizkraukle direction) and RAILWAY PASSENGER INFRASTRUCTURE MODERNISATION (Platform 2), providing for the modernisation of additional 23 stations and stopping points.

Procurement documentation is being prepared for both projects, and procurement procedures are being launched gradually.

Within the Platform 2 and RIX-RCS – Aizkraukle direction projects, five procurement procedures have been announced, providing for the modernisation of passenger infrastructure at 17 stations and stopping points, as well as the renewal of passenger infrastructure and the modernisation of the overhead contact line on the Torņakalns – Imanta section. Results have been announced for two of the procurement procedures, while the results of the remaining three will be announced in the first half of 2026.

In 2025, substantial construction works were carried out under the Recovery and Resilience Facility-financed project MODERNISATION AND DEVELOPMENT OF THE ELECTRIFIED RAILWAY NETWORK, with 38% of the works completed. Within the project, zero-emission railway infrastructure is being improved in the Rīga hub and on the Rīga – Tukums line, and the electrified zone Zasulauks – Bolderāja is being expanded through the replacement and construction of overhead contact lines.

In line with the informative report On the Integration of Railway Sector State-Owned Companies (considered by the Cabinet of Ministers on 10 June 2025), it is foreseen within the railway sector reform that LDz will be designated as the manager of the railway infrastructure constructed within the Rail Baltica project. To facilitate the establishment of high-quality public-use railway infrastructure within the shortest possible timeframe, and to ensure synergies and savings associated with designating a single public-use railway infrastructure manager and introducing a unified management model, a comprehensive and in-depth management, financial, economic, technological, and legal assessment of the implementation of the Rail Baltica project in Latvia has been launched, with the aim of completing it by mid-2026. Following receipt of the results of the in-depth study, a proposal will be submitted to the Cabinet of Ministers concerning the termination of the state’s direct decisive influence and participation in SIA Eiropas dzelzceļa līnijas, by contributing the shares of SIA Eiropas dzelzceļa līnijas to the share capital of LDz, thereby granting the State indirect decisive influence, and LDz direct decisive influence and participation in SIA Eiropas dzelzceļa līnijas.

4. NON-FINANCIAL STATEMENT

LDz is one of the country's largest employers, the sector and scale of its activities creating a situation in which LDz both directly and indirectly affects a large number of people across Latvia. First of all, there are on average 3 160 employees of VAS Latvijas dzelzceļš who work for LDz and are thus able to support their families, pay taxes and contribute in other ways to the national economy. In addition to the large number of employees, the activities of LDz affect every citizen who uses rail transport, as well as those whose homes are close to the railway infrastructure.

Railway operations are also closely related to environmental factors and its impact on the quality of people’s life. One of the topical issues relates to noise from rail traffic, in particular freight traffic, and its impact on the health and well-being of people living nearby railway. In order to reduce the impact caused by noise and vibrations, the *VAS Latvijas dzelzceļš action plan for noise reduction until 2028* has been developed, which defines tasks and objectives for noise reduction for railway lines with traffic intensity of more than 30 000 trains per year. The Action Plan includes measures to reduce noise levels in the areas concerned - including both tasks to be carried out as part of routine track maintenance (e.g. replacing and grinding the rails, which slightly reduces noise) and the construction of a 618-metre noise barrier in Riga, Ķengarags, where noise discomfort levels are highest. The noise maps and action plan are available on the LDz website. Implementation of the project commenced in 2024, and in September 2025 the State Railway Technical Inspection commissioned the constructed noise barrier located in the acoustic discomfort zone Ķengarags. The noise barrier is expected to present public health benefits worth more than EUR 90 million (the Action Plan assumes a 20-year lifetime for the noise barrier, based on a model developed by the European Environment Agency to assess and monetise the negative effects of noise). The resources for the implementation of this measure were foreseen in the LDz investment plan for 2024 and 2025 and the investments were made from LDz own resources. In addition, the Action Plan summarises the costs and benefits of constructing noise barriers not only in Ķengarags, but also in Ogre, Ikšķile, Salaspils, and Bieriņi, but funding for these measures is currently not available.

LDz is a public-use railway infrastructure manager tasked not only with taking care of the quality, safety, and development of the railway but also with safeguarding the testimonies of railway history that tell the story of the railway industry in Latvia from its beginnings. The Latvian Railway History Museum is the main preserver of railway heritage.

LDz always respects the principles of equality in its relations with employees: in employment relationships no preference is given to representatives of a particular race, skin colour, gender, age, religious, political or other convictions or depending on national or social origin, wealth or marital status, sexual orientation or other circumstances. In December 2025, LDz employed 942 women or 32% of the total workforce and 2 017 men or 68% of the total workforce. The relatively high number of women employed by LDz in what has traditionally been a strongly male-dominated sector demonstrates that LDz does not discriminate against its employees on the basis of their gender, thus reducing the stereotype of railways as a male-only industry.

Employees in LDz are not discriminated based on their nationality. LDz does not keep a track record of the number of employees of a particular nationality, while it employs people of different nationalities.

The Latvijas dzelzceļš Group has implemented the Personnel Management and Remuneration Policy, which is binding also for VAS Latvijas dzelzceļš, the Group Parent Company. The policy was designed to establish common guidelines, policies, guiding principles, key responsibilities, and areas of action for staff management, development and remuneration in the Group. The main objective of the remuneration policy is to motivate employees to achieve the strategic objectives and encourage all employees to contribute to improving the quality of work performance. At the same time, the Policy aims to ensure fair and competitive remuneration to employees for their work and contribution to the achievement of the Group's objectives as well as to promote the development of employee competencies. The Group's remuneration system is based on the principles of fairness, transparency, competitiveness and financial possibilities, purposefulness, and compliance with external laws.

The corporate values of Latvijas dzelzceļš Group, as well as the principles of professional conduct and ethics, which ensure that they are directed against corruption, conflict of interest, illegal use of inside information and any other illegal and unethical actions, are set out in the Code of Ethics of Latvijas Dzelzceļš Group.

The Code of Ethics of Latvijas dzelzceļš Group summarises the best commercial practices and general principles of professional ethics and employee conduct to be followed by the Group Parent Company VAS Latvijas dzelzceļš and its dependent limited liability companies.

To regulate the employees' conduct in contact with suppliers, business partners and concerning the organization of business trips and the acceptance of gifts, and to establish procedures in the event of suspicion of possible corruption or fraud, the Anti-Fraud Policy of LDz has been put in place, which is closely related to the national regulatory framework, i.e. Cabinet Regulation No. 630 *Regulation on the basic requirements of the internal control system for the prevention of corruption and conflicts of interest in a public institution* and the Whistleblowing Law.

One of the strategic goals of VAS Latvijas dzelzceļš is to reduce the number of injuries and fatalities in train collisions. Thus, the Group's Road Safety Policy is one of the basic elements of the entity's safety management system. The purpose of the policy is to determine uniform principles and courses of action for the management of road safety, observing the requirements of the laws and regulations governing the field of road safety to prevent the occurrence of unacceptable risks. In addition to improvements in infrastructure safety, one of the options is to inform and educate the public about safe behaviour in the vicinity of railway infrastructure and the crossing of tracks. LDz annually organizes safety campaigns aimed at informing and educating the public about safety in the vicinity of railways.

Latvijas Dzelzceļš Group has implemented an Environmental and Energy Management Policy. Its main objective is to define the Group's environmental and energy management principles and tasks, taking into account the requirements of regulatory enactments and the objectives and tasks of the national environmental policy set for the Group companies' business areas, in order to reduce the negative impact of the Group's activities on the environment, promote efficient use of resources, increase energy efficiency, provide human and environmentally safe services, and ensure sustainable, competitive and energy-efficient development of the Group. Procedures related to the implementation of the Environmental and Energy Management Policy are also in place:

- Procedure for identification of environmental aspects in Latvijas Dzelzceļš Group;
- Procedure for the preparation of annual plans for environmental protection measures and reports on their implementation in Latvijas Dzelzceļš Group;
- Procedure for the preparation of annual plans for energy efficiency improvement measures and reports on their implementation in Latvijas Dzelzceļš Group.

The Group's environmental and energy management policy serves as the basis for the development of environmental and/or energy management programmes for companies. The environmental and/or energy management programme based on it is a medium-term document (action plan) of the Group's companies which defines the environmental and/or energy management objectives and targets of the specific company, the timeframe for their implementation and the persons responsible, also defining objectives and targets related to improving energy efficiency, sustainable use of natural and energy resources, reduction of negative environmental impacts, etc.

LDz has implemented a certified environmental and energy management system (continuous analysis of significant energy consumption areas and environmental impacts) under ISO 50001:2018 and ISO 14001:2015 standards requirements.

In 2025, within the framework of the energy efficiency improvement measures plan of VAS Latvijas dzelzceļš, 18 measures were implemented in the most important areas of energy consumption (electricity, heat, and fuel consumption). The measures included replacement and/or introduction of certain equipment, introduction of new technologies, change of transport, improvement of energy efficiency of buildings, including replacement of windows and doors, insulation of walls, etc., replacement of lighting and other measures.

Environmental protection measures are also planned annually in accordance with the Procedure for Preparation of Annual Environmental Protection Plans and Reports on their Implementation in the Group's Environmental and Energy Management Policy. They are based on measures to mitigate significant environmental aspects and to improve and/or remedy the previous year's environmental findings. In 2025, within the framework of the Environmental Action Plan, VAS Latvijas dzelzceļš implemented 24 measures, such as environmental quality monitoring (ground and groundwater, wastewater and stormwater testing, emission measurements, contaminated sites investigations), hazardous waste management, as well as measures aimed at reducing the company's climate impact, such as allocating funds for GHG emission calculations, auditing the certified environmental and energy management system and other activities.

Where possible, climate-related risks are also taken into account when planning new infrastructure projects. For example, in the application for the BEMU charging infrastructure construction project, which provides for the design and construction of charging stations for BEMU (Battery Electric Multiple Unit) trains at three strategically important railway stations (Sigulda, Līvāni and Daugavpils), selected on the basis of passenger flow volumes, geographical location and the strategic significance of the railway lines in the regional and national mobility network – an in-depth assessment of climate risks was carried out.

In addition, LDz is working on policy initiatives to shift transport from road to rail, which would contribute to reducing GHG emissions in the transport sector as a whole.

In order to assess the operations against the Taxonomy Regulation, VAS Latvijas dzelzceļš developed in 2023 and updated in 2025 the Guidelines for Taxonomy Assessment at Latvijas dzelzceļš Group (the current version approved by the LDz Management Board on 16 October 2025). The Guidelines summarise information on the approach to assessing Taxonomy in relation to the Group companies' operating expenses, turnover indicators and capital expenditure, and identify the areas and criteria of Taxonomy that are potentially most relevant to the Group's operations. Initially, the Taxonomy assessment process was extended to investment planning (capital expenditure) by adjusting the development and renewal project application forms and the Taxonomy assessment at the end of 2023, taking into account the preparation of the LDz Medium-Term Investment Plan 2024-2028 and recording the Taxonomy-eligibility of each planned investment project and, consequently, its Taxonomy-alignment. In 2024, the Taxonomy has also been assessed in the accounting of operating expenditure and turnover, assessing Taxonomy alignment and compliance by activity.

The fulfilment of the non-financial objectives set out in the 2025 budget of VAS Latvijas dzelzceļš is as follows:

	PERFORMANCE INDICATORS	2025 BUDGET	2025 ACTUAL
Governance	Operating costs of railway infrastructure per km of main track, thous. EUR	58.0	54.2
	Number of accidents per million train-km, number	1.00	1.37
Mobility	Average speed of a passenger train section, km/h	53.9	54.9
	Share of rail passenger transport in total public transport, %	10.3%	11.2%
Commercial activity	Market share of LDZ CARGO in the Baltics, %*	21.2%	19.3%
	Transported rail freight using LDz infrastructure network, million t	9.5	9.5
Sustainability and Human capital	Sustainability Index, level	Gold	Platinum**
	Employee satisfaction rating, %	76%	74%

* taking into account the volume of freight transported by LDZ CARGO SIA in Latvia, Estonia, and Lithuania.
** Performance in 2024, as the Sustainability Index assessment does not take place in 2025.

LDz is successfully working on reducing operating costs, as a result of which LDz has met the non-financial target of operating costs of railway infrastructure per km of track set in the strategy.

The non-financial goals related to the freight transportation volumes were not met as due to various economic and geopolitical processes the downward trend in freight transportation that started in previous years, continued in 2025. The decline in cargo volumes was significantly affected by the international sanctions imposed on Russian and Belarusian companies, individuals and goods after Russian invasion of Ukraine.

Information on the Company's development, results of operations and financial position is provided in the previous paragraphs of the Management Report and notes to the annual report, and the Group Sustainability Statement.

The Group's Statement on Corporate Governance, prepared in accordance with Section 58.[1] of the Law on the Governance of the Capital Shares of a Public Person and Capital Companies and in compliance with the Cabinet of Ministers Regulation No. 175 of 15 March 2022 *Regulation on corporate governance recommendations applicable in the capital company of a public person and in the public privately-held capital company*, is included in the Group's Sustainability Statement.

Detailed information on the impact of environmental requirements is included in the Group's Sustainability Statement.

5. KEY RISKS

The Company's most significant risks are related to global external factors that are beyond its control, and the objective of managing such risks is to minimise negative impacts in the most cost-effective manner, find alternatives, expand existing activities, and develop new ones.

Market risk

Risk that, due to changes in market structure and volumes, the service volume planned by LDz may decrease and impact revenue. The structure and volume of the rail freight market is affected by international sanctions imposed against Russia and Belarus, which prohibit the import and export of a number of traditional rail freight commodity groups. Political risks add to the uncertainty of transit through Russia and Belarus, increasing the likelihood of risk occurrence.

To mitigate the impact of market risk, LDz optimises costs by revising and changing technological and administrative processes, increasing their efficiency. To increase demand for railway infrastructure services, LDz is promoting domestic and Baltic-region transport services, as well as freight transport between Central Asia and Latvia. In addition to the primary cargo groups — grain, fertilisers, and metallurgical products — active work is being carried out on other cargo segments and on attracting container freight flows between Europe and China. The development of railway infrastructure construction services is continuing.

Changes in the market structure continue to increase the share of passenger transport. Also, the use of publicly-owned railway infrastructure for domestic passenger transport by AS Pasažieru vilciens in 2025 has also increased by 37.5% compared to 2019. As the use of infrastructure for passenger transport is subsidised by the State at direct cost, such changes in the market structure continue to have a negative impact on the performance of Latvijas dzelzceļš.

Market risk increases the likelihood of liquidity risk due to uncertainty about freight revenues. Due to the financing model for financial stability and the significant volumes of investments, as well as the arrangements for receiving EC funds (deferred payments), LDz may periodically incur cash flow deficits. To address this risk, credit resources have been mobilised, longer payment deadlines have been set and the responsible units have been monitored for compliance with these deadlines, cash flow is being monitored more closely and a rolling forecast is being carried out, and a more detailed and frequent review of the investment plan calendar schedule has been introduced seeking to ensure the most accurate possible cash-flow forecasting for the next 12 months.

Risk of compliance with international and national sanctions

The Company's cooperation with Russia and Belarus has decreased significantly, but still exists due to the technological characteristics of rail transport. Since the Russian invasion of Ukraine on 24 February 2022, international sanctions against Russia and Belarus have been increasingly strengthened: the number of natural and legal persons subject to sanctions has been increased, additional restrictions on the movement of goods and restrictions on the activities of financial institutions have been imposed.

To ensure compliance with sanctions, the Council of LDz has approved a Group-wide policy, which is implemented by the LDz Sanctions Department. The Sanctions Department ensures the operation and oversight of the sanctions management system within the Group. The control system includes the verification of cargo applications, enhanced due diligence prior to transactions involving apparent risk indicators, as well as reinforced controls at all stages of the procurement process. All employees are subject to mandatory transaction-screening procedures and daily sanctions-screening guidelines. The Sanctions Department ensures prompt communication of changes in sanctions lists and related explanations on the LDz intranet site, and it provides regular employee training.

Investment project execution risks

In the implementation of LDz investment projects, the most significant risks relate to delays in the execution of works under EU-funded projects, which must be completed in 2026. Opportunities to accelerate the execution of delayed works are highly limited, as construction works under railway infrastructure modernisation projects must be coordinated with the passenger train timetable, with minimal disruption. This requires timely and precise planning and organisation of works. The main causes of delays are shortages of contractor resources, issues with subcontractors, and insufficient availability of machinery and equipment. To manage investment project risks, LDz ensures continuous monitoring of project implementation, conducts assessments and improvements of project management processes, and updates the Group's investment project planning and execution control regulations, as well as the fundamental principles of project risk management. As at the date of these financial statements, none of the European Union funded projects face any risk related to the repayment of funds, nor is such a risk expected to materialise during the 2026 reporting year.

6. FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

LDz has no foreign branches and representative offices.

7. GEOPOLITICAL SITUATION AND ITS IMPACT ON THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

The external factors relating to the geopolitical situation, the war in Ukraine and the international economic sanctions imposed on Russia and Belarus, as well as the consequences of the COVID-19 coronavirus pandemic, indicate that the situation in terms of freight volumes will not improve significantly in the foreseeable future.

Following Russia's invasion of Ukraine on 24 February 2022, Russia and Belarus have been subject to extensive economic and political sanctions. The sanctions had a significant impact on LDz's operations, requiring a review of internal sanctions management processes as well as additional resources to be allocated to sanctions inspections, both on business partners and on the freight transported.

Given the Company's cooperation with Russian and Belarusian partners in previous years, as well as the nature of its operations, the war in Ukraine has undoubtedly had and will continue to have an impact on the Company's operations in 2026 and beyond. The restrictions enacted to date have contributed to the freight turnover decline and it is difficult to predict the possible impact of additional sanctions on the Company's activities in the future. In view of the risks associated with sanctions, the following measures have been taken:

1. LDz has established a separate Sanctions Department and Sanctions Committee responsible for sanctions reviews, strengthening the exchange of information on sanctions reviews within the Group.
2. The Group has developed and implemented the Sanctions Policy of Latvijas Dzelzceļš Group, ensuring a uniform approach to sanctions checks throughout the Group.
3. In assessing the risks related to significantly expanded lists of sectoral sanctions, LDz strengthened freight inspection procedures by increasing the assessment of freight types and their compliance with the established sectoral sanctions.
4. All persons included in the sanctions lists are reflected in the Sanctions Information System (IS) maintained by LDz, which ensures daily automatic verification of all clients and cooperation partners for coincidence with the lists of sanctioned persons. The lists of IS Sanctions are updated daily automatically from the official sites that maintain news about the sanctions of the Republic of Latvia, the European Union, the UN, and OFAC.
5. In 2026, work continued to upgrade IS Sanctions system, as well as on strengthening the LDz's sanctions monitoring function through several technical improvements.

The Company's Management is aware of the uncertainty associated with the further development of the situation and continues to monitor the development of events daily, as well as their possible impact on the LDz's activities.

However, despite the difficult situation, LDz management is confident that the going concern basis is applicable to the preparation of the financial statements based on the implementation of the Group's new business model and the review of organisational and technological processes, which has resulted and will continue to result in cost reductions, as well as the receipt of the necessary public funding pursuant to Section 9(4) of the Railway Law and the Multi-Annual Agreement.

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway and logistics services in the interests of the state and the Latvian national economy.

To mitigate the impact of market risk, the Company optimises costs by changing technological and administrative processes, increasing their efficiency. In order to diversify the freight nomenclature and reduce dependence on Russian and Belarusian exporters, the Company is focused on entering new markets and attracting freight, as well as actively working on increasing the services provided to other market segments, including: increasing the volume of domestic freight transport.

In parallel with cost-cutting measures, the Company is working to increase revenues – both from the rental of facilities and from the provision of services outside the Group. No significant further decline in revenue is expected in 2026 compared with 2025.

In 2025, to ensure financial balance, LDz received a state budget payment of EUR 26 013 thousand for 2024.

On 30 December 2025, the Ministry of Transport and LDz concluded a Multi-Annual Agreement for the planning and financing of the maintenance and development of the state public-use railway infrastructure for 2025-2029. In accordance with the agreement, under normal operating conditions over a five year period starting from 2025, the State will ensure that, in the infrastructure manager's statement of profit or loss, revenue from infrastructure charges, profit from other commercial activities, non-refundable revenue from private sources, as well as State funding, including, where applicable, advance payments received from the State, are at least in balance with infrastructure related expenses. Funds to ensure the financial stability of the Infrastructure Manager are planned as part of the State budget preparation process, taking into account the State budget's financial capacity.

The state budget funds to ensure the financial stability of LDz for 2025 in the amount of EUR 24 498 thousand are foreseen in the law *On the State Budget for 2026 and Budget Framework for 2026, 2027, and 2028*.

In 2025, the funding required to ensure financial stability was recognised as revenue in accordance with the recognition principles laid down in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be repaid in the future.

The criteria for LDz to receive the financial stability payment are the non-fulfilment of the financial stability conditions provided for in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement. Given that in 2025 LDz did not meet the conditions for financial stability set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement, the criteria for receiving financial stability payments set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement were therefore met. The fact that the financial stability payment from previous years has been received confirms the validity of the revenue recognition for 2025.

In order to show the total recognised financial stability payment in the financial statements, an additional column RESULT FOR 2025 BEFORE FINANCIAL STABILITY PAYMENTS and a column RESULT FOR 2024 BEFORE FINANCIAL STABILITY PAYMENTS are presented in the Statement of Comprehensive Income of LDz. This disclosure is not required by the IFRS Accounting Standards as adopted by the European Union (EU), but is provided as an additional indicator for the purpose of disclosure in the financial statements of the profit or loss of LDz in order to receive public funding for the financial stability of LDz in accordance with Section 9(4) of the *Railway Law* and the Multi-Annual Agreement to compensate for the loss.

Although there is confidence in the receipt of financial resources, there is uncertainty regarding the timing of receipt of additional financial resources required by LDz. This uncertainty stems from paragraph 3.3 of the Multi-Annual Agreement, which provides that financial stability allocations are planned in accordance with the State budget's financial capacity, which may in turn affect the timing of receiving the financial stability funding for 2025.

Despite this uncertainty, LDz Management believes that the going concern principle is applicable to the preparation of the financial statements, based on the approval of the strategy and action plan of LDz, the implementation of the new business model of the Group, and the review of organizational and technological processes, which should result in future cost reduction. Likewise, the experience of recent years indicates that an adequate amount of financial stability funding has been included in the State budget during its preparation.

The main task of LDz is to ensure the management of the State public-use railway infrastructure and safe, high-quality, and efficient railway and logistics services in the interests of the State, the public, and the Latvian economy, therefore we believe that the fulfilment of the conditions laid down in Section 9 (4) of the *Railway Law* and the Multi-Annual Agreement will not be delayed. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments, including revaluations of assets and liabilities, that would be necessary if the going concern basis had not been applied.

8. FINANCIAL PERFORMANCE

The operating result for 2025 is a loss of EUR 1 180 thousand.

As a result of the economic activity, the funds necessary for the financial stability of the national public railway infrastructure manager, as defined by national legislation, amounting to EUR 24 498 thousand are recognised in 2025. The financial stability has been recognised following the guidelines of the IFRS Accounting Standards and in the amount provided for in Section 72 of the law *On the State Budget for 2026 and Budget Framework for 2026, 2027, and 2028*. The request for financial stability will be made after approval of the annual report of LDz in accordance with the procedure set out in Section 9(4) of the *Railway Law* and the Multi-Annual Agreement.

9. EVENTS AFTER THE DATE OF PREPARATION OF THE ANNUAL REPORT FOR 2025

On 3 March 2026, LDz sent a notice to General Partnership BMGS-FIMA regarding the termination of the construction contract. Construction was terminated under only one contract among several contracts concluded for the implementation of the project Modernisation of Railway Passenger Infrastructure, Phase 2. Work under the remaining contracts continues. With regard to the terminated contract, it is planned to launch a new procurement procedure during 2026, while in parallel approaching the funding providers with a request to extend the project deadline until 2029.

There have been no events since the end of the reporting year, that have had a material impact on the information presented in the financial statements for 2025.

10. STATEMENT ON THE RESPONSIBILITY OF THE MANAGEMENT BOARD

The Board of LDz ("Management") is responsible for preparing the financial statements.

The financial statements of VAS Latvijas dzelzceļš on pages 16 to 60 have been prepared based on the accounting records and supporting documents and give a true and fair view of the Company's financial position as at 31 December 2025, and of its performance and cash flows for 2025.

The above-mentioned financial statements have been prepared in accordance with the IFRS Accounting Standards adopted in the EU on a going concern basis. In the preparation of the financial statements Management has made prudent and reasonable judgements and estimates.

The Management is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Management is responsible for fulfilling the requirements of the legislation of the Republic of Latvia.

Riga, see the timestamp for the date.

Chairman of the Board	A.Grinbergs
Member of the Board	R.Pļavnieks

The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR 2025

(EUR)

	NOTES	RESULT FOR 2025 BEFORE FINANCIAL STABILITY PAYMENTS*	2025	RESULT FOR 2024 BEFORE FINANCIAL STABILITY PAYMENTS*	2024
Revenue	4	118 051 240	142 548 917	129 087 887	155 100 801
Other income	5	17 608 457	17 608 457	21 190 252	21 190 252
Total operating income		**135 659 697**	**160 157 374**	**150 278 139**	**176 291 053**
Cost of goods, materials, and services	6	(39 878 145)	(39 878 145)	(44 341 448)	(44 341 448)
Personnel costs	7	(79 182 638)	(79 182 638)	(85 891 310)	(85 891 310)
Depreciation, amortisation, and impairment	8	(38 190 215)	(38 190 215)	(77 742 135)	(77 742 135)
Other expenses	9	(2 435 983)	(2 435 983)	(2 243 189)	(2 243 189)
Total operating expenses		**(159 686 981)**	**(159 686 981)**	**(210 218 082)**	**(210 218 082)**
Loss from operating activities		**(24 027 284)**	**470 393**	**(59 939 943)**	**(33 927 029)**
Income from investments in related companies	10	441 648	441 648	4 841 243	4 841 243
Finance income	11	967 533	967 533	760 178	760 178
Finance expenses	11	(3 059 950)	(3 059 950)	(4 521 713)	(4 521 713)
Loss before corporate income tax		**(25 678 053)**	**(1 180 376)**	**(58 860 235)**	**(32 847 321)**
Loss of the year		**(25 678 053)**	**(1 180 376)**	**(58 860 235)**	**(32 847 321)**
Loss for the reporting year and comprehensive loss attributable to the shareholder		**(25 678 053)**	**(1 180 376)**	**(58 860 235)**	**(32 847 321)**

* See Note 2.15 for an explanation of the addition of additional non-IFRS metrics.

Loss for the reporting year corresponds to the comprehensive loss for the reporting year.

Notes on pages 22 to 60 form an integral part of these financial statements.

Riga, see the timestamp for the date.

Chairman of the Board A.Grinbergs

Member of the Board R.Pļavnieks

The annual report was prepared by the Finance Department of VAS Latvijas dzelzceļš:
Finance Director T.Labzova-Ceicāne

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

(EUR)

ASSETS	NOTES	31.12.2025	31.12.2024
Long-term investments			
Property, plant and equipment	12	510 076 790	484 649 338
Right-of-use assets	13	2 505 496	3 023 281
Intangible assets	14	6 003 922	3 585 210
Advance payments for property and equipment		23 888 277	25 139 045
Investment in subsidiaries	15, 16	110 816 648	110 816 648
Loans to related companies	18, 37	5 941 107	7 921 477
Other long-term financial investments	19	73 982	73 982
Total long-term investments		**659 306 222**	**635 208 981**
Current assets			
Inventories	20	4 881 009	4 187 247
Trade and other receivables	21	5 516 789	5 740 622
Loans to related companies	18, 37	1 980 369	3 838 272
Receivables from related companies	37	2 063 502	2 945 788
Accrued income	4	24 497 677	26 012 914
Cash and cash equivalents	22	35 842 840	60 123 645
Total current assets		**74 782 186**	**102 848 488**
Total assets		**734 088 408**	**738 057 469**

(continued overleaf)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025 (CONTINUED)

(EUR)

EQUITY AND LIABILITIES	NOTES	31.12.2025	31.12.2024
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital	23	374 419 791	374 419 791
Reserves and uncovered losses		(57 212 436)	(56 032 060)
Total shareholder's equity		**317 207 355**	**318 387 731**
Liabilities			
Non-current liabilities			
Provisions	24	271 060	279 618
Borrowings from credit institutions	25	49 035 891	67 605 306
Accounts payable to suppliers and contractors		726 555	1 255 851
Taxes and social contributions	27	1 597 107	3 339 558
Lease liabilities		1 806 260	1 887 053
Deferred income	26	288 611 854	260 941 566
Total non-current liabilities		**342 048 727**	**335 308 952**
Current liabilities			
Borrowings from credit institutions	25	26 491 675	35 342 969
Provisions	24	692 681	1 198 278
Trade and other payables		27 235 727	20 263 252
Payables to related companies	37	1 612 610	2 196 244
Taxes and social contributions	27	4 592 755	10 538 536
Lease liabilities		625 196	1 031 579
Deferred income	26	13 581 682	13 789 928
Total current liabilities		**74 832 326**	**84 360 786**
Total liabilities		**416 881 053**	**419 669 738**
Total equity and liabilities		**734 088 408**	**738 057 469**

Notes on pages 22 to 60 form an integral part of these financial statements.

Riga, see the timestamp for the date.

Chairman of the Board A.Grinbergs

Member of the Board R.Pļavnieks

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Finance Director T.Labzova-Ceicāne

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STATEMENT OF CHANGES IN EQUITY

(EUR)

	SHARE CAPITAL	RETAINED EARNINGS/ UNCOVERED LOSS	TOTAL EQUITY
	For 2024		
01.01.2024	**327 621 636**	**23 613 416**	**351 235 052**
Increase in share capital	46 798 155	-	46 798 155
Financial stability for 2022 and 2023	-	(46 798 155)	(46 798 155)
Loss and comprehensive loss for the reporting year	-	(32 847 321)	(32 847 321)
31.12.2024	**374 419 791**	**(56 032 060)**	**318 387 731**
	For 2025		
01.01.2025	**374 419 791**	**(56 032 060)**	**318 387 731**
Loss and comprehensive loss for the reporting year	-	(1 180 376)	(1 180 376)
31.12.2025	**374 419 791**	**(57 212 436)**	**317 207 355**

Notes on pages 22 to 60 form an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR 2025 (ACCORDING TO THE INDIRECT METHOD)

(EUR)

	NOTES	2025	2024
Cash flow from operating activity			
Loss before corporate income tax		**(1 180 376)**	**(32 847 321)**
Adjustments for:			
Depreciation of property, plant and equipment and other impairment adjustments		22 839 887	58 051 506
Amortisation of intangible assets and other impairment adjustments	14	726 759	843 230
Foreign exchange gain or loss	5, 9	(19 557)	16 646
Income from investments in related companies	10	(441 648)	(4 841 243)
Other interest income and similar income	11	(967 533)	(760 178)
Interest expenses and similar expenses	11	3 059 950	4 521 713
Profit before adjustments for changes in the working capital		**24 017 482**	**24 984 353**
Changes in:			
Decrease/increase in deferred expenses and accrued income		2 596 106	(24 547 858)
Increase in inventories		(3 092 590)	(1 013 158)
Decrease of accounts payable to suppliers, contractors and other creditors;		(6 103 588)	(12 319 494)
Cash generated from/ (used in) operations		**17 417 410**	**(12 896 157)**
Interest paid		(4 349 989)	(5 626 376)
Net cash generated from/ (used in) operating activities		***13 067 421***	***(18 522 533)***
Cash flow from investing activity			
Purchase of property, equipment and intangible assets		(56 382 203)	(55 858 299)
Proceeds from sale of property, plant and equipment and intangible assets		1 288 149	483 543
Subsidies or grants received (net)	26	41 298 662	36 844 106
Income from repaid borrowings	18	3 838 273	4 218 971
Interest received		998 633	804 996
Dividends received	10	441 648	4 841 243
Net cash flows used in investing activities		***(8 516 838)***	***(8 665 440)***

(continued overleaf)

STATEMENT OF CASH FLOWS FOR 2025 (CONTINUED)

(EUR)

	NOTES	2025	2024
Cash flows from financing activities			
Increase in share capital		-	46 798 155
Borrowings received		-	44 000 000
Borrowings repaid	25	(27 420 709)	(27 361 088)
Lease payments		(1 410 588)	(1 619 145)
Net cash (used in)/ generated from financing activities		***(28 831 297)***	***61 817 922***
Change in cash and cash equivalents during the reporting year		**(24 280 714)**	**34 629 949**
Gain on foreign exchange rate fluctuations		**(91)**	**(11 330)**
Cash and cash equivalents balance at the beginning of the reporting year		60 123 645	25 505 026
Cash and cash equivalents balance at the end of the reporting year	**22**	**35 842 840**	**60 123 645**

Notes on pages 22 to 60 form an integral part of these financial statements.

Riga, see the timestamp for the date.

Chairman of the Board A.Grinbergs

Member of the Board R.Pļavnieks

The annual report was prepared by the Finance Department of VAS Latvijas dzelzceļš:
Finance Director T.Labzova-Ceicāne

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ON THE COMPANY

Name of the Company	LATVIJAS DZELZCEĻŠ
Legal status	State Joint Stock Company
Address	Emīlijas Benjamiņas iela 3, Riga, LV-1547
Unified registration number	40003032065
Date of registration with the Enterprise Register	1 October 1991
Date of registration with the Commercial Register	10 September 2004
Place of registration	Riga
Date of issue of the certificate of registration	10 September 2004
Line of business (NACE rev. 2.1.)	42.12 - Construction of railways and underground railways 52.21 - Service activities incidental to land transportation
Shareholder	Republic of Latvia (100%)
Shareholder representing the state	Ministry of Transport of the Republic of Latvia Emīlijas Benjamiņas iela 3, Riga, LV-1743
Supervisory body	Council of the Company
Council	Zlata ELKSNIŅA-ZAŠČIRINSKA, Chairwoman of the Council from 6 January 2026 Andis VEINBERGS, Member of the Council from 12 February 2025 Andris LIEPIŅŠ, Chairman of the Council until 31 December 2025 Reinis CEPLIS, Member of the Council until 31 December 2025
Management Board	Artis GRINBERGS, Chairman of the Management Board Rinalds PĻAVNIEKS, Member of the Management Board Mārtiņš ĶEŅĢIS, Member of the Management Board until 31 October 2025
Name and address of the auditor and the sworn auditor in charge	KPMG Baltics SIA registration No. 40003235171 Latvian Association of Certified Auditors (LACA) Commercial Company Licence No. 55 Roberta Hirša iela 1, Riga, LV-1045 Latvia Sworn Auditor in Charge Armine Movsisjana Certificate No. 178
Reporting year	1 January 2025 to 31 December 2025

2. ACCOUNTING AND ASSESSMENT PRINCIPLES

The financial statements present the financial position, performance and cash flows of LDz as a stand-alone entity. The financial position of the Group (VAS Latvijas dzelzceļš and its subsidiaries) is reflected in the consolidated financial statements published at the same time as the stand-alone financial statements.

The financial statements cover the period from 1 January to 31 December 2025. The financial statements were signed by the Management Board of LDz on 26 March 2026. The financial statements are approved by the shareholder meeting convened by the Board of the Company after receipt of the auditor's opinion and the Council's report.

2.1. ACCOUNTING AND ASSESSMENT PRINCIPLES

These financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU (IFRS Accounting Standards). Due to the EU endorsement process, this note also reflects standards and interpretations that have not been endorsed for application in the EU, as these standards and interpretations may have an impact on LDz's financial statements in future periods if they are endorsed.

The financial statements are prepared on the historical cost basis and on a going concern basis.

IFRS require the management of LDz to make assumptions and judgements in preparing the financial statements that affect the reported amounts of assets and liabilities and disclosures at the reporting date and the reported amounts of revenues and expenses during the reporting period. The actual results may differ from these estimates. Areas that require significant or complex assumptions to be made, or where the assumptions and estimates made are significant in the context of the financial statements, are disclosed in Note 3.

New accounting standards or amendments applicable in the reporting year:

- **Newly effective requirements:**

This table lists the latest amendments to IFRS Accounting Standards that must be applied by LDz for the reporting year beginning on 1 January 2025:

EFFECTIVE DATE	NEW ACCOUNTING STANDARD OR AMENDMENTS
01 January 2025	Lack of exchangeability – Amendments to IAS 21

LDz has no transactions that are affected by the newly effective standards or amendments to standards or its accounting policies are already consistent with the new requirements.

- **Further requirements:**

This table lists the latest amendments to IFRS Accounting Standards that are to be applied for reporting periods beginning after 1 January 2025 (some of which have not yet been approved by the European Union), and which are permitted to be applied early for reporting periods beginning on 1 January 2025. LDz has not adopted the new or amended standards early.

EFFECTIVE DATE	NEW ACCOUNTING STANDARD OR AMENDMENTS	DATE OF EU ENDORSEMENT
01 January 2026	Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	28 May 2025 (Commission Regulation (EU) 2025/1047)
01 January 2026	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	01 July 2025 (Commission Regulation (EU) 2025/1266)
01 January 2026	Annual Improvements to IFRS Accounting Standards – Volume 11	10 July 2025 (Commission Regulation (EU) 2025/1331)
01 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements	13 February 2026 (Commission Regulation (EU) 2026/338)
01 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures	Not yet endorsed.
The effective date was deferred indefinitely.	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture – Amendments to IFRS 10 and IAS 28	Not yet endorsed.

LDz is currently assessing the potential impact of the aforementioned new and amended standards on the consolidated financial statements. The impact of IFRS 18 *Presentation and Disclosure in Financial Statements* is assessed as material, and preparatory work is being carried out for the implementation of this standard in order to provide accurate and IFRS compliant information as early as the first quarter report of 2027.

In addition to the above, the Company's Management has assessed the impact of other standards and interpretations that will be effective from 1 January 2026 and does not expect them to have a material impact on the financial statements.

2.2. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items in the financial statements are measured in the currency of the economic environment in which the Company operates (functional currency). The items in the financial statements are presented in the official currency of the Republic of Latvia in *euro* (EUR), which is the Company's presentation currency.

Transactions and balances in foreign currencies

All transactions in foreign currency are translated into EUR at the euro reference rate published by the European Central Bank at the beginning of the transaction day. Monetary assets and liabilities denominated in foreign currency on the last day of the reporting year are presented in the financial statements translated into EUR at the foreign exchange rate published by the European Central Bank ("ECB") and in force at the end of the last day of the reporting year. Exchange differences arising from settlements in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange rates

FOREIGN CURRENCY	CURRENCY UNIT PER EUR 1 EUR 31.12.2025	CURRENCY UNIT PER EUR 1 EUR 31.12.2024
USD	1.175000	1.03890
CHF	0.931400	0.94120

2.3. INTANGIBLE ASSETS

Intangible assets mainly consist of software licences. Initially recognised at cost. Intangible assets have finite useful lives. Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Subsequent costs are capitalised, increasing the value of the existing intangible asset or recognised as a separate intangible asset only when it is probable that future economic benefits associated with the item will flow to LDz and if the costs can be measured reliably. Other costs are expensed in the Statement of Comprehensive Income as incurred.

For intangible assets, amortisation is calculated on a straight-line basis to write down their acquisition cost over the useful life period and is included in the Statement of Comprehensive Income for the relevant period. Intangible assets are generally amortised over five years.

2.4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are recognised under the cost method, as described below, less accumulated depreciation and accumulated impairment, if any.

The acquisition cost includes the costs directly attributable to the acquisition of the property, plant and equipment. The cost of self-constructed property, plant and equipment consists of the cost of materials and direct labour costs, as well as any other costs directly attributable to bringing the asset into working condition for its intended use, and the costs of demolishing and removing the asset and restoring the site where the asset is to be located. The cost of computer software that is closely related to the functionality of the equipment and cannot be separated from it, is capitalised as part of this equipment.

LDz capitalises property, plant and equipment with cost exceeding EUR 500 and a useful life exceeding one year.

If the useful lives of individual components of property, plant and equipment differ, they are accounted for as separate components of those assets. The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if necessary, at each reporting date.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to LDz and if the cost of the item can be measured reliably. Other current repairs and maintenance costs of property, plant and equipment are included in the Statement of Comprehensive Income for the period in which they are incurred.

Gain or loss on disposal of property, plant and equipment is calculated as the difference between the book value of the property, plant and equipment and the proceeds from the sale and included in the Statement of Comprehensive Income for the respective period.

Where the carrying amount of an asset exceeds its recoverable amount, the value of the asset is written down to its recoverable amount (see Note 3).

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis. Depreciation is charged to the Statement of Comprehensive Income.

Investments in the leased property, plant and equipment are depreciated over the shorter of the lease term or the useful life of a similar asset at the rates applied to the category in which investments in the leased asset falls. Land is not depreciated.

Depreciation of LDz's property, plant and equipment for the reporting period is calculated by applying the determined useful life to the respective asset.

PROPERTY, PLANT AND EQUIPMENT	USEFUL LIFE
Buildings and structures	10-130 years
Tracks	10-90 years
Railway rolling stock – wagons for technological needs	22-40 years
Railway rolling stock – locomotives, diesel trains, and technological equipment	5-40 years
Track machinery	30 years
Computers, communication equipment, photocopiers, and fittings	3-10 years
Other property, plant and equipment	5-30 years

Assets under construction

Assets that are not ready for their intended use at the time of their acquisition or are in the process of being installed are classified as "assets under construction". The cost of assets under construction is increased during the period by borrowing costs and other direct costs related to the asset until its commissioning. The cost of the respective asset is not increased by borrowing costs in periods when there is no active development of the asset.

When the assets are ready for their intended use, they are reclassified to the appropriate category of property, plant and equipment and the calculation of depreciation starts. Assets under construction are regularly reviewed for impairment indicators.

2.5. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

All the LDz's tangible and intangible assets have a finite useful life (except for land and museum collections). Depreciable assets are reviewed whenever events or circumstances indicate that their book value may not be recoverable.

An impairment loss is recognised in the amount of the difference between the carrying amount of an asset and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. To determine the impairment, the assets are grouped based on the lowest level for which cash flows can be identified (cash-generating units). Impairment losses are recognised in the Statement of Comprehensive Income.

Impairment losses recognised in prior periods are reviewed at each balance sheet date to determine whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the respective asset does not exceed its carrying amount less the depreciation that would have been recorded if the impairment loss had not been recognised.

2.6. FINANCIAL INSTRUMENTS

Classification of financial instruments

The LDz's financial instruments consist of financial assets (financial assets at amortised cost and financial assets at fair value through profit or loss) and financial liabilities (financial liabilities at amortised cost).

The classification of debt instruments depends on the LDz’s business for managing financial assets, and whether the contractual cash flows consist solely of principal and interest payments (SPPI). If a debt instrument is held to collect cash flows, it is carried at amortised cost if it meets the requirements of the SPPI. Financial assets whose cash flows do not meet the requirements of the SPPI must be measured at fair value through profit or loss (FVTPL) (e.g., financial derivatives).

Equity instruments are always measured at fair value. However, Management has the option to make an irrevocable choice to present fair value changes in other comprehensive income if the instrument is not held for trading. If an equity instrument is held for trading, changes in fair value should be presented in profit or loss.

Recognition and derecognition

Financial assets and liabilities are recognised when LDz becomes a party to the contract and has fulfilled the conditions of the transaction, i.e., at the date of the transaction.

Financial assets are derecognised when the Company's contractual obligations to the cash flows generated by the financial assets expire or when the Company transfers the financial asset to another party or transfers the significant risks and rewards of the asset. Regular-way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial liabilities are derecognised when the underlying obligation is withdrawn, cancelled or expires.

Measurement

At initial recognition, financial instruments are measured at their fair value. For financial assets and financial liabilities at amortised cost, fair value is adjusted at initial recognition for transaction costs that are directly attributable to that financial instrument.

Financial assets at fair value through profit or loss

This category includes the equity instruments owned by the Company, under Other financial investments. These investments are presented within non-current assets, unless the Management intends to sell them within 12 months from the reporting date. The fair value of these financial assets is determined based on estimates made by the LDz’s Management, which are based on the financial information of these investments. Changes in fair value are recognised in profit or loss.

Dividends on investments are recognised in the Statement of Comprehensive Income at the time when LDz becomes legally entitled to them.

Financial assets at amortised cost

Financial assets at amortised cost are debt instruments with a fixed or determinable schedule that are not held for trading and whose future cash flows consist solely of principal and interest payments. Financial assets at amortised cost include trade and other receivables, as well as receivables from related companies and cash and cash equivalents. Financial assets at amortised cost are classified as current assets if the maturity is one year or less. If the payment term exceeds one year, then they are presented as non-current assets. Short-term receivables are not discounted.

Financial assets at amortised cost are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method less impairment provisions.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, current account balances and short-term highly liquid investments that can be easily converted into cash if necessary and are not exposed to significant risk of changes in value.

Impairment of financial assets at amortised cost

Impairment is recognised according to the expected credit loss (ECL) model. The model has a three-step approach, which is based on changes in the credit quality of a financial asset compared to initial recognition. The Company recognises an immediate loss equal to 12-months ECL on initial recognition of a financial asset, even if the financial asset does not show any signs of impairment (for trade receivables a lifetime expected credit loss is recognised). In the event of a material increase in credit risk, impairment is measured using the asset's lifetime ECL instead of the 12-month ECL.

LDz applies operational allowances permitted by IFRS 9 for the measurement of trade receivables: trade receivables are grouped according to their credit quality and days past due, applying an expected credit loss percentage to each group. The ECL rates are estimated considering the last three years of payment history, adjusted to consider information on the present and future forecasts.

Loans issued to the related parties are categorised into a separate group, for which ECL is calculated considering not only past experience, but also the credit rating of the ultimate owner, the Republic of Latvia, and projections of future developments. Loans granted to subsidiaries are considered to be assets with a credit risk that has not increased materially since the initial recognition, so the calculation of the ECL includes the expected credit losses over the next 12 months.

Impairment allowance is included in a separate allowance account and a loss is recognised in the Statement of Comprehensive Income. If, in a subsequent period after impairment is recognised, the amount of the loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised (for example, the debtor's credit rating improves), a reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include borrowings from credit institutions, other borrowings, amounts due to suppliers and contractors and other creditors, as well as payables to related companies.

Financial liabilities at amortised cost are initially recognised at fair value. In subsequent periods, financial liabilities at amortised cost are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost are classified as current liabilities except in cases when the Company has an irrevocable right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Borrowings

Borrowings are initially recognised at fair value, net of borrowing costs incurred. In subsequent periods, borrowings are measured at amortised cost using the effective interest method. The difference between the amount of proceeds, less borrowing costs, and the redemption value of the borrowing is gradually recognised in the Statement of Comprehensive Income, using the borrowing’s effective interest rate. This difference is recognised as finance expense.

Borrowings are classified as current liabilities except in cases when the Company has an irrevocable right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Offsetting financial assets and liabilities

Financial assets and liabilities are netted against each other and presented on the balance sheet at net amounts when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to transfer the asset and settle the liability simultaneously.

2.7. INVENTORIES

Inventories are carried at the lowest of the cost or net realisable value. Net realisable value is the selling price of inventories less costs to complete and sell, determined in the ordinary course of the Company's business. The cost is determined using the weighted average cost method for fuel and the FIFO (first in, first out) method for other inventory components.

When necessary, allowances are created for the impairment of obsolete, slow-moving or damaged inventories. For inventories without movement over one year, the allowances are recognised for the full amount. The sum is charged to the Statement of Comprehensive Income.

2.8. SHARE CAPITAL AND PAYMENTS FOR THE USE OF STATE-OWNED CAPITAL SHARES (DIVIDENDS)

The share capital of LDz consists of ordinary registered shares. All shares of LDz are dematerialised. The nominal value of a share is one euro.

Dividends or payments to the shareholder of the Company for the use of the state capital shares are recognised as a liability in the financial statements in the period in which the amount of the dividend is approved by the shareholder of the Company.

2.9. OTHER RESERVES

A portion of the after-tax profit of the Company may be transferred to the reserve by a resolution of the shareholder's meeting of LDz. For this purpose, an item *Other reserves* has been set up under equity. The appropriation and distribution of other reserves is the competence of the Shareholder's Meeting.

2.10. ACCRUED UNUSED ANNUAL LEAVE EXPENSES

The accrued expenses for unused annual leave are calculated for each employee by multiplying the number of unused annual leave days at the end of the reporting year by the average daily wage in the last six months of the reporting year and adding the employer's share of social insurance contributions.

2.11. PROVISIONS

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

If the Company expects to receive reimbursement for the part or full amount of the provision, the reimbursement of those costs is recognised as a separate asset if, and only if it is virtually certain that the expenditure will be reimbursed. The costs associated with creating provision are recognised in the Statement of Comprehensive Income, net of amounts recovered.

2.12. CURRENT INCOME TAX LIABILITIES

Corporate income tax is calculated in accordance with the legislation effective at the end of the reporting period. The current legislation imposes a tax rate of 20 percent on the calculated taxable base, adjusted before the application of the tax rate by dividing the taxable base by a coefficient of 0.8. Corporate income tax, which is calculated on distribution of dividends, is presented separately in the Statement of Comprehensive Income, while when it is calculated otherwise, it is presented as other operating expense otherwise as other operating expense. Deferred tax assets or liabilities do not arise because there is no difference between the book values of assets and liabilities and their tax base.

2.13. REVENUE RECOGNITION

Revenue is the consideration received as a result of carrying out operating activities. Revenue is measured at the transaction price specified in the contract. The transaction price is the amount that LDz expects to receive upon transfer of control over the goods or services, excluding amounts collected on behalf of third parties (e.g. value added tax). The transaction price is reduced by any discounts or other benefits granted to the customer. The specific criteria for recognising revenue of the Company for each type of revenue are set out below.

The Company does not have any contracts with customers with a settlement period of more than one year and therefore does not make adjustments to reflect changes in the value of money over time. In addition, the settlements do not provide for variable consideration.

Revenue from the sale of goods is recognised when control over them is transferred, i.e., when the Company has delivered the goods to the customer and the customer has accepted the goods and it is probable that the receivable is recoverable.

Revenue from the rendering of services is recognised in the period in which the services are provided, considering the ratio of the service provided to the total contract service, if applicable.

LDz provides the following services (recognised in accordance with IFRS 15):

Public-use railway infrastructure services - access to the railway infrastructure, provided by the infrastructure manager on a non-discriminatory basis to all carriers. LDz provides a service comprising the public-use minimum access service package and access to the public-use railway infrastructure connecting the railway infrastructure with service sites (the minimum access service package).

In connection with the provision of railway infrastructure for public use, LDz has been granted a state budget subsidy to fully cover the costs of the passenger segment and the costs relating to passenger stations on lines where the carrying of passengers has been terminated. Revenue from the received grants (excluding VAT), is recognised in the period in which the services are rendered, up to the amount of the funding received, in accordance with IAS 20.

Maintenance of service points – services for the use of passenger stations and stops. LDz provides the following services at passenger stations: ticket counters, passenger notification systems, and facilities for passenger use. Revenue (excluding VAT) is recognised in the period in which the services are rendered, up to the amount of funding received, in accordance with IAS 20.

Ancillary services of the infrastructure manager, including service site services - freight wagon sorting and assembly services (handling of freight wagons, with or without train formation; handling of freight wagons in self-service mode), until 1 November 2025, freight wagon maintenance and inspection - basic and ancillary freight wagon inspection services, routine suspension repairs, freight wagon storage services and freight wagon brokerage settlement services, etc. Revenue is recognised in the period in which the services are rendered.

Electricity distribution and sale services – LDz provides electricity distribution and trading services to natural and legal persons, including its subsidiaries. The cost of electricity distribution (traction substations and overhead power lines) for the traction of passenger trains is included in the charge for using the public-use railway infrastructure and are not included in this service. LDz provides electricity sales services to electricity consumers by fulfilling the obligations laid down in the *Electricity Market Law*, the *Law On Regulators of Public Utilities* and Cabinet Regulation No. 635 of 7 November 2023. LDz acts as the primary service provider, thus revenues and costs are recognised in gross value. Revenue is calculated by multiplying the tariff by the number of kilowatt hours consumed and is recognised in the period when consumption was made.

The **principal's services** include submission of the import summary declaration, customs procedures – transit clearance, temporary storage. In accordance with the agreement between LDz and LDZ CARGO SIA, the Company as the holder of the authorisation to use the transit procedure submits transit declarations, prepares temporary storage declarations, as well as performs other customs activities for the transit compliance. These services were provided by LDz until 1 August 2025. Revenue is recognised in the period when the services are provided.

Electronic communications services – data and electronic message transmission services, access to electronic communications network infrastructure. Revenue is recognised after the actual use of the network in the relevant reporting period.

Information technology services – services related to information systems for freight and passenger traffic, train movement, as well as business support, control and management information systems. Revenue is recognised in the period when the services are provided.

Construction services – own construction works on railway infrastructure objects. Revenue is recognised in the period when the services are provided.

Other services – these services include management services for dependent companies, infrastructure manager-specific services and various other services for legal and natural persons. Revenue is recognised in the period when the services are provided.

LDz provides the following services (recognised in accordance with IFRS 16):

Leases – the Company leases out buildings, structures, land and other property, plant and equipment that are not necessary for the operating activity, primarily to carriers and other companies and institutions related to the operation of the railway system. Leasing unused areas located in railway infrastructure facilities to external customers reduces the cost of the basic service. As a result, the competitiveness of the basic service increases, as well as the efficiency of the use of objects. For operating leases where the LDz is the lessor, lease income is recognised in accordance with IFRS 16, lease payments are recognised as income on a systematic basis that reflects the straight-line pattern in which benefit from the underlying asset is derived.

Interest income (recognised in accordance with IFRS 9):

Interest income is recognised on an accrual basis, using the effective interest rate (under IFRS 9). Interest income on cash and cash equivalents is classified as finance income.

Income from fines

Contractual penalties, including late payment interest for payments past the due date, are recognised in revenue only upon receipt.

Dividend income

Dividend income recognised when a legal right to receive dividend arises.

2.14. LEASE ARRANGEMENT

Classification

At the inception of the contract, the Company assesses whether the contract is a lease or includes a lease. A contract is or contains a lease, if the contract conveys the right to control the use of an identifiable asset for a fixed time in exchange for consideration. To assess whether a contract is or contains a lease, the Company assesses whether:

The contract provides for the use of an identifiable asset. The asset can be specified explicitly or implicitly and must be physically separable or reflect the full capacity of the asset from a physically separable asset. If the supplier has a significant right to substitute the asset, the asset is not identifiable;

LDz is entitled to obtain all economic benefits from the use of the identifiable asset throughout its period of use;

LDz has the right to direct the use of the identifiable asset. LDz has the right to direct the use of an asset when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, LDz must assess whether it has the right to operate the asset or to direct others to operate the asset in a manner it determines, or whether LDz intends to use the asset in a predetermined manner on how and for what purpose the asset will be used.

When initially measuring or remeasuring a contract that contains one or more lease components, LDz attributes its relative stand-alone price to each lease component.

Lessee’s accounting

A lease is recognised as a right-of-use asset and the corresponding lease liability at the date the leased asset is available for use to LDz. The cost of the right-of-use asset is made up from:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs.

Depreciation is calculated on a straight-line basis from the lease start date to the end of the lease term unless it is planned to redeem the asset. The right-of-use asset is reduced periodically by the amount of impairment losses, if any, and adjusted for revaluation of the lease liabilities.

At the date of initial recognition, assets and liabilities arising from leases are measured at the present value of the remaining lease payments, discounted at LDz’s benchmark interest rate. Lease liabilities comprise the present value of the following lease payments:

- fixed lease payments (including in-substance fixed lease payments) less lease incentives;
- variable lease payments that depend on the index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option that the lessee is reasonably certain to exercise; and

- payments for terminating the lease if the lease term reflects early termination.

Lease liabilities are remeasured when future lease payments change because the index or rate used to measure those payments has changed, the Company's estimate of the expected payments changes, or the Company changes its assessment of whether to exercise a call option, extend or terminate a lease. Such reassessments are only done when a significant event or significant change in circumstances occurs that is within the Group's control and the Group is reasonably certain to exercise an option not previously included in its determination of the lease term or not to exercise an option previously included.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in the Statement of Comprehensive Income if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is split between the lease liability and interest expense on the lease liability. Interest expense on the lease liability is recognised in the Statement of Comprehensive Income over the lease term to produce a constant periodic rate of interest on the remaining lease liability each period.

Short-term leases and leases with a low-value underlying asset

Lease payments related to short-term leases or leases with a low-value underlying asset are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis. A short-term lease is a lease with a term of 12 months or less at the commencement date.

Lessor's accounting

Leases in which substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. Leases in which the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases.

Assets leased under operating leases are presented under property, plant and equipment at cost less depreciation. Depreciation is calculated on a straight-line basis. Rental income from operating leases and prepayments received from customers are recognised in the Statement of Comprehensive Income over the lease period.

Accounting for sublease transactions (LDz is the lessor)

In the event that, according to the contract, LDz is the lessor but part of the leased objects is subleased, a sublease transaction is created. Each sublease transaction is assessed for its compliance with the definition of a finance or operating lease, with the assessment made on the basis of the right-of-use asset. Accounting is performed according to the type of sublease determined - LDz is the lessor under an operating lease or LDz is the lessor under a finance lease. If the sublease is a finance lease, it is accounted for separately as a lease receivable. There is no netting against the liability.

Accounting for subleases:

- LDz, as an intermediate lessor, reduces the right-of-use asset by the finance lease receivable for that portion without recognising rental income from the sublease, but calculates interest income on the finance lease receivable;
- Over the term of the sublease, LDz, as an intermediate lessor, recognises depreciation expense on the right-of-use asset to the extent that it relates to the portion of the right-of-use asset not sublet, but recognises interest expense on the full lease liability.

2.15. CO-FINANCING FROM THE STATE BUDGET AND EU FUNDS

Co-financing from the state budget and EU funds are recognised at fair value if there is reasonable certainty that the funds will be received, and it can be reasonably argued that LDz will be able to meet all conditions associated with the receipt of these funds.

Co-financing from the state budget and from EU funds that is attributable to assets (property, plant and equipment) is recognised in the balance sheet as Deferred income and recognised periodically in the Statement of Comprehensive Income in proportion to the depreciation of the relevant assets (property, plant and equipment) over their useful lives.

In accordance with Section 9(4) of the *Railway Law* and the Multi-Annual Agreement, a column RESULT FOR 2025 BEFORE FINANCIAL STABILITY PAYMENTS and a column RESULT FOR 2024 BEFORE FINANCIAL STABILITY PAYMENTS are shown in the Statement of Comprehensive Income of LDz. Although not required by IFRS, the non-IFRS indicator is presented in the financial statements to provide readers with a clear picture of LDz's financial position without the receipt of financial stability payments.

LDz has been granted a state budget subsidy for the maintenance of unused crew places and a subsidy for the full cost of the passenger transport segment provided by LDz under a public service contract to the railway infrastructure manager in public use, which includes ineligible costs within the meaning of Article 4 of the European Commission Implementing Regulation EU 2015/909 of 12 June 2015 on the procedure for calculating costs directly incurred in the operation of train services, including, but not limited to, the costs of maintenance and renewal of fixed railway infrastructure (including passenger platforms) as well as the costs of train control, including signalling, regulation, dispatching and communication, and the provision of information on train movements, which are incurred independently of the train movements and are necessary to keep the trains running but which are not included in the minimum access service package charge. Revenue from the received grants (excluding VAT), is recognised in the period in which the services are rendered, up to the amount of the funding received, in accordance with IAS 20.

2.16. RELATED PARTIES

Related parties include the state, the subsidiaries of LDz, Board and Council members of LDz, their close family members, and entities in which these persons have control or joint control.

2.17. SUBSEQUENT EVENTS

The financial statements reflect events after the reporting date that provide additional information about the Company’s financial position at the balance sheet date (adjusting events). If the nature of subsequent events is other than adjusting, they are disclosed in the notes to the financial statements only if they are significant.

2.18. EMPLOYEE BENEFITS

Social insurance and pension plan contributions

The Company makes compulsory national social insurance contributions to the state-funded pension scheme under Latvian laws. The state-funded pension scheme is a defined contribution pension plan, and the Company is required to make contributions of the prescribed statutory amount. The Company does not incur any additional legal or constructive obligations to make additional payments if the state-funded pension scheme is unable to meet its obligations to employees. Social insurance contributions are recognised as an expense on an accrual basis and recognised under Personnel expenses.

2.19. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at historical cost, less impairment losses.

Revenue is recognized only to the extent LDz has received a share of profit of the subsidiary generated after the date of acquisition. Any amounts in excess of this profit are treated as recovery of investment and booked as a decrease in the historical cost of the investment.

If there is objective evidence of impairment of the investment in a subsidiary, the impairment loss is calculated as the difference between the carrying amount and the recoverable amount of the investment. Impairment loss may be reversed when the estimates underlying the impairment have changed since the last date of recognition of the impairment loss.

3. SIGNIFICANT ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires making material assumptions. It also requires Management to make estimates and judgements in the application of the Company’s accounting policies.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the notes to the financial statements at the reporting date, as well as the reported amounts of revenues and expenses during the reporting period. The actual results may differ from these estimates. The areas that are more likely to be affected by assumptions are Management's assumptions and estimates in determining the recoverable amount of assets and the amount of provisions as described below. Except as noted below, there are no other areas that require significant or complex assumptions or where the assumptions and estimates made are significant in the context of the financial statements.

Useful life of property, plant and equipment

LDz assesses the remaining useful lives of its property, plant and equipment at the end of each reporting period. Based on the most recent assessment performed by the Finance Department of the Company, the current useful lives are consistent with the actual useful lives of the Company's property, plant and equipment.

Impairment of property, plant and equipment

An impairment loss was recognised in the previous reporting periods for property, plant and equipment not used for operational purposes and for assets whose expected future economic benefits were significantly lower than their carrying amount. The most significant impairment amount is recognised for buildings, structures and tracks based on the future cash flows from the use of these assets in the provision of services.

In carrying out the impairment test, all LDz infrastructure assets are divided into cash-generating units – geographical rail track lines. Each line has been assessed for indicators of impairment and lines with indicators of impairment have been subject to impairment test. The main indicators of impairment were the absence or decrease of passenger traffic in a particular line, as well as a significant decrease in freight traffic volumes. The impairment calculation conducted in 2024 resulted in impairment recognised in 11 lines for a total amount of EUR 67.8 million.

In 2025, an update of the impairment calculation was performed using the latest available data, and it was concluded that no material changes had occurred that would require the reversal of previously recognised impairment losses or the recognition of additional impairment.

The main cause of the impairment of PPE in 2024 was a significant further decline in freight traffic. The additional sanctions against Russia and Belarus, implemented in late spring and early summer 2024, reduced the previously forecasted freight flows, resulting in a drop in the 2024 traffic from the 16.5 million tonnes forecast at the beginning of 2024 to 11.5 million tonnes.

The forecast future cash flows were determined on the basis of the actual results for 2025, the 2026 budget, and the financial indicators included in the draft LDz Medium-Term Operational Strategy 2026-2030. When discounting future projected cash flows, a weighted average cost of capital (WACC) of 7.50% is applied, determined as the weighted average cost of capital of the infrastructure manager. WACC, EBITDA, and future growth rate are the most important indicators affecting the impairment estimate. Another significant indicator affecting the amount of impairment is the volume of planned future capital investments.

If the WACC reaches 7.94%, the future growth rate decreases to 1.46%, or EBITDA decreases by 5.00%, an impairment loss would be required to be recognised. Likewise, if the volume of capital investments planned for 2030 were to increase by EUR 1 700 thousand, an impairment would need to be recognised.

In addition to the assessment at the level of cash-generating units, an overall impairment assessment has also been carried out, determining LDz's total value in use. In this calculation, WACC is also the key estimate influencing the impairment. Assessing the sensitivity of the calculation to changes in WACC, it has been concluded that an impairment should be recognised for WACC above the 7.78% threshold.

Assessment of the Recoverable Amount of Investments in Subsidiaries

As impairment indicators were identified during the reporting year in respect of LDz's investment in SIA LDZ CARGO, an assessment of the recoverable amount was performed. The recoverable amount was determined as the higher of value in use and fair value less costs of disposal. As the estimated value in use was lower than the carrying amount of the investment, an assessment of the fair value of the subsidiary's net assets less costs of disposal was performed.

The fair value of net assets was determined for each class of assets and current liabilities:

- For current assets (excluding inventories) and current liabilities, the carrying amount was assessed to approximate their recoverable amount;
- The carrying amount of inventories was assessed in the context of their net realisable value and was considered to be consistent with their recoverable amount;

- The value of property, plant and equipment was assessed either on the basis of reports prepared by certified valuers, where available, or by comparison with similar assets available on the market. More detailed assessments were conducted for the categories of property, plant and equipment *Railway equipment, machinery, and rolling stock* and *Freight wagons*, which constitute a significant portion of the total property, plant and equipment of SIA LDZ CARGO.
- For the purposes of the impairment assessment of the *Freight wagons* category, publicly available market data for comparable assets were selected on a sample basis. The market prices of these assets were adjusted to reflect the wagons' remaining useful life, based on internally available information. As a result of this assessment, it was concluded that the fair value of freight wagons does not materially differ from their carrying amount. However, taking into account market volatility, a revaluation of this asset category is planned for 2026.

Based on the overall assessment, it was concluded that the fair value of net assets less costs of disposal approximated their carrying amount, and therefore there is no basis for recognising an impairment loss.

Financial stability payment

The primary task of LDz is to ensure safe railway traffic on the State public-use railway infrastructure and to create conditions under which railway operational safety is maintained overall and, where possible, is continuously enhanced, in compliance with the requirements of European Union and Latvian legislation as well as international regulations. To ensure the fulfilment of this task, on 30 December 2025 the Ministry of Transport and LDz concluded a Multi-Annual Agreement on the planning and financing of the maintenance and development of the State public-use railway infrastructure for the period 2025-2029, which sets out the arrangements for ensuring financial stability.

In accordance with the agreement, under normal operating conditions over a five year period starting from 2025, the State will ensure that, in the infrastructure manager's statement of profit or loss, revenue from infrastructure charges, profit from other commercial activities, non-refundable revenue from private sources, as well as State funding, including, where applicable, advance payments received from the State, are at least in balance with infrastructure related expenses. Funds to ensure the financial stability of the Infrastructure Manager are planned as part of the State budget preparation process, taking into account the State budget's financial capacity.

The criteria for LDz to receive the financial stability payment are the non-fulfilment of the financial stability conditions provided for in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement. Given that in 2025 LDz did not meet the conditions for financial stability set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement, the criteria for receiving financial stability payments set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement were therefore met.

In the reporting year, the financing required for ensuring financial stability is recognised in other revenue in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be received in the future. Finally, the fact that the financial stability payment from previous years has been received and that the financial stability payment for 2025 is included in the 2026 state budget in the amount of EUR 24 498 thousand confirms the validity of the revenue recognition for 2025.

4. REVENUE

(EUR)

TYPES OF ACTIVITY	2025	2024
Revenue from contracts with customers (IFRS 15):		
Revenue recognised over time:		
Charges for the use of the public-use railway infrastructure	34 337 879	41 067 667
Ancillary services of the infrastructure manager	10 819 241	15 224 748
Specific services related to infrastructure maintenance and repair	2 407 297	1 333 646
Revenue for performance control	2 740 358	876 268
Services in passenger stations	1 096 191	1 094 522
Principal's services	43 659	212 971
Construction services	109 862	9 213
Other services	1 320 060	2 090 768
Total recognised over time	***52 874 547***	***61 909 803***
Revenue recognised at a point in time:		
Electricity distribution and trading services	8 289 247	8 112 386
Information technology services	3 158 341	3 905 485
Electronic communications services	574 602	612 662
Total recognised income at a point in time	***12 022 190***	***12 630 533***
Total revenue from customer contracts (IFRS 15)	**64 896 737**	**74 540 336**
Other revenue (IFRS 16):		
Lease services	**3 473 180**	**3 876 030**
Other revenue (IAS 20)		
Revenue from railway infrastructure maintenance (State budget funding)	49 367 836	50 473 523
Financial stability payment**	24 497 677	26 012 914
Revenue from maintenance of service points (State budget funding)	313 487	197 998
Total other revenue (IAS 20)	**74 179 000**	**76 684 435**
Total*	**142 548 917**	**155 100 801**
* including revenue by geographical markets:		
Latvia	***140 543 843***	***154 302 283***
Other EU member states	***2 005 074***	***798 518***

**The required payment of financial stability of EUR 24 497 677, to be received in the future, recognised as *Accrued income* in the Statement of Financial Position based on the obligations and obligations specified in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement. In 2025, to ensure financial stability, LDz received from the state budget a payment of EUR 26 012 914 for 2024, which was previously recognised under deferred income.

In order to show the total recognised financial stability payment in the financial statements, an additional column RESULT FOR 2025 BEFORE FINANCIAL STABILITY PAYMENTS and a column RESULT FOR 2024 BEFORE FINANCIAL STABILITY PAYMENTS are presented in the Statement of Comprehensive Income of LDz. This disclosure is not required by the IFRS, but is provided as an additional indicator for the purpose of disclosure in the financial statements of the profit or loss of LDz in order to receive public funding for the financial stability of SJSC Latvijas dzelzceļš in accordance with Section 9(4) of the Railway Law and the Multi-Annual Agreement to compensate for the loss.

5. OTHER INCOME

(EUR)

	2025	2024
Gradual recognition of deferred income	13 866 009	19 151 258
Gain on sale of inventories	1 287 141	627 264
Gain from sale of property, plant and equipment	1 036 405	356 799
Fines and late payment penalties	284 663	110 523
Proceeds from compensation for damage	175 854	427 056
Adjustment of other provisions (see Note 24)	74 630	14 683
Expected credit loss allowance	-	30 588
Exchange rate fluctuations	19 557	-
Other income	864 198	472 081
Total	**17 608 457**	**21 190 252**

6. COST OF GOODS, MATERIALS, AND SERVICES

(EUR)

	2025	2024
Electricity	11 005 110	10 850 965
Rent, utilities, boiler house maintenance	5 787 141	4 494 532
Security services and maintenance of security equipment	4 848 290	4 843 953
Cost of materials	3 040 811	3 934 110
Heating and fuel	2 544 052	2 854 376
Information software maintenance, licence fees	2 317 142	2 591 982
Costs of railway administration bodies	2 284 983	2 292 589
Cost of current repairs of property, plant and equipment and other repairs	1 813 615	3 111 956
Charges for shunting work	1 126 557	2 871 391
Charges for locomotives and crews working in economic traffic	737 013	1 204 859
Costs related to telecommunications services	617 725	644 779
Vehicle maintenance, registration, and technical inspection	479 607	757 724
Real estate tax	537 740	546 242
Third party liability insurance costs	438 221	438 975
Insurance of property, plant and equipment	375 779	246 736
Membership fees for international organisations	305 362	290 578
Other expenses*	1 618 997	2 365 701
Total	**39 878 145**	**44 341 448**

** Other expenses include payments for services provided by the sworn auditor company SIA KPMG Baltics*:

(EUR)

	2025	2024
Audit of financial statements	90 640	88 000

7. PERSONNEL EXPENSES

(EUR)

	2025	2024
Salary expenses	61 807 357	65 259 554
Statutory social security contributions	14 886 865	15 944 626
Other social security costs	1 697 144	1 918 396
Severance pay	1 553 299	2 606 650
Changes in accrued liabilities for vacations	(1 070 710)	(238 832)
Supplementary pension insurance for employees	251 431	297 605
Other personnel expenses	57 252	103 311
Total	**79 182 638**	**85 891 310**
of which remuneration of members of the Company's Board and Council	569 722	486 246
incl. remuneration	*460 978*	*393 435*
state compulsory social insurance contributions	*108 744*	*92 811*

8. DEPRECIATION, AMORTISATION, AND IMPAIRMENT

(EUR)

	2025	2024
Depreciation and amortisation	36 737 826	44 893 961
Impairment of property, plant and equipment and intangible assets	-	31 212 786
Depreciation of right-of-use assets	1 370 182	1 474 453
Changes in provisions for obsolete materials (see Note 20)	82 207	160 935
Total	**38 190 215**	**77 742 135**

9. OTHER EXPENSES

(EUR)

	2025	2024
Adjustment in the allowance for doubtful debts	1 055 459	51 183
Collective bargaining agreement costs of Latvijas Dzelzceļš Group	307 211	487 387
Expected credit loss allowances (see Note 21)	296 696	-
Losses on disposal of property, plant and equipment and assets under construction	234 713	924 820
Provision for contingent losses from legal proceedings	129 869	-
Adjustment of other provisions (see Note 24)	6 072	60 000
Expenditure on damages	76 979	456 955
Corporate income tax on deemed distribution of profits	11 214	-
Foreign currency exchange rate fluctuation	2 594	878
Exchange rate fluctuations	-	16 646
Fines and late payment penalties	5 506	51 209
Social infrastructure maintenance costs	2 071	2 071
Other charges	307 599	192 040
Total	**2 435 983**	**2 243 189**

10. INCOME FROM INVESTMENTS IN SUBSIDIARIES

(EUR)

	2025	2024
Dividends received from LDz subsidiaries:	**441 648**	**4 841 243**
SIA LDZ CARGO	29 219	3 068 112
SIA LDZ ritošā sastāva serviss*	-	1 233 832
SIA LDZ Loģistika*	-	264 373
SIA LDZ apsardze	248 905	242 431
AS LatRailNet	163 524	32 495

* Effective from 3 October 2025, part of SIA LDZ CARGO

11. FINANCE INCOME AND EXPENSES, NET

(EUR)

	2025	2024
Finance income	**967 533**	**760 178**
Other interest income	967 533	760 178
Finance expenses	**(3 059 950)**	**(4 521 713)**
Interest payments on loans	(3 847 689)	(4 870 921)
Capitalised interest payments on loans	1 171 472	1 006 378
Interest expense on lease transactions	(74 976)	(59 310)
Late payment interest for extending the tax payment deadline	(308 757)	(597 860)
Finance expenses, net	**(2 092 417)**	**(3 761 535)**

12. PROPERTY, PLANT AND EQUIPMENT

(EUR)

	LAND PLOTS	BUILDINGS, STRUCTURES, AND PERENNIAL PLANTATIONS	TRACKS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	COMPUTERS, COMMUNICATION EQUIPMENT, PHOTOCOPIERS, AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Historical cost at 01.01.2025	**798 195**	**216 736 917**	**877 706 814**	**105 292**	**341 208 881**	**37 137 781**	**34 057 799**	**67 398 867**	**1 575 150 546**
Acquisition and completion of property, plant and equipment	-	17 499 499	1 015 425	-	3 932 737	784 664	1 532 707	39 784 228	64 549 260
Reclassified (see Note 14)	-	-	-	-	(197)	197	-	(2 559 214)	(2 559 214)
Disposal of property, plant and equipment	(40 125)	(1 335 233)	(391 531)	-	(621 796)	(414 362)	(1 274 948)	(52 408)	(4 130 403)
Cost at 31.12.2025	**758 070**	**232 901 183**	**878 330 708**	**105 292**	**344 519 625**	**37 508 280**	**34 315 558**	**104 571 473**	**1 633 010 189**
Accumulated depreciation on 01.01.2025	**-**	**130 148 686**	**601 200 776**	**97 488**	**205 218 934**	**31 881 287**	**26 839 269**	**-**	**995 386 440**
Amortization charge	-	4 242 017	18 580 256	7 804	11 009 987	1 225 368	1 077 156	-	36 142 588
Transfers	-	-	-	-	(58)	58	-	-	-
Disposals	-	(1 097 567)	(364 175)	-	(559 568)	(410 879)	(1 234 770)	-	(3 666 959)
Accumulated depreciation at 31.12.2025	**-**	**133 293 136**	**619 416 857**	**105 292**	**215 669 295**	**32 695 834**	**26 681 655**	**-**	**1 027 862 069**
Impairment as at 01.01.2025	**10 724**	**7 296 871**	**77 803 562**	**-**	**9 237 524**	**520 146**	**245 941**	**-**	**95 114 768**
Adjustment for written off tangible assets	**-**	**(24 077)**	**(1 755)**	**-**	**(4 866)**	**-**	**(12 740)**	**-**	**(43 438)**
Impairment as at 31.12.2025	**10 724**	**7 272 794**	**77 801 807**	**-**	**9 232 658**	**520 146**	**233 201**	**-**	**95 071 330**
Carrying value as at 01.01.2025	**787 471**	**79 291 360**	**198 702 476**	**7 804**	**126 752 423**	**4 736 348**	**6 972 589**	**67 398 867**	**484 649 338**
Balance at 31.12.2025	**747 346**	**92 335 253**	**181 112 044**	**-**	**119 617 672**	**4 292 300**	**7 400 702**	**104 571 473**	**510 076 790**

LDz holds land registered in the name of the Ministry of Transport with a total area of 15 thousand hectares (the railway land protection zone, which forms part of the public-use railway infrastructure and is intended for the placement of railway infrastructure facilities to ensure the development and safe operation of the railway infrastructure).

In 2025, the cost of property, plant and equipment includes capitalised wages of EUR 2 523 985 and social security costs of EUR 594 870 (2024: wages of EUR 1 923 419 and social security costs of EUR 452 897) and capitalised interest of EUR 1 171 472 (2024: EUR 1 006 378). Recognised as advances are EUR 16 323 727 (EUR 13 217 562 in 2024). In 2025, EUR 56 382 203 (2024: EUR 55 858 299) were spent on the renewal, modernisation and acquisition of property, plant and equipment, intangible assets, and the construction of new facilities.

(EUR)

	LAND PLOTS	BUILDINGS, STRUCTURES, AND PERENNIAL PLANTATIONS	TRACKS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	COMPUTERS, COMMUNICATION EQUIPMENT, PHOTOCOPIERS, AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Historical cost at 01.01.2024	**851 410**	**206 532 246**	**864 813 601**	**105 292**	**323 791 287**	**36 530 618**	**33 817 154**	**56 238 644**	**1 522 680 252**
Acquisition and completion of property, plant and equipment	-	12 974 470	14 468 496	-	18 475 270	920 876	846 804	11 160 223	58 846 139
Transfers	-	11 068	-	-	(10 313)	11 221	(11 976)	-	-
Disposal of property, plant and equipment	(53 215)	(2 780 867)	(1 575 283)	-	(1 047 363)	(324 934)	(594 183)	-	(6 375 845)
Cost at 31.12.2024	**798 195**	**216 736 917**	**877 706 814**	**105 292**	**341 208 881**	**37 137 781**	**34 057 799**	**67 398 867**	**1 575 150 546**
Accumulated depreciation on 01.01.2024	**-**	**127 729 422**	**579 174 564**	**89 685**	**194 327 234**	**28 847 416**	**26 265 272**	**-**	**956 433 593**
Amortization charge	-	4 565 540	23 380 760	7 803	11 739 871	3 356 531	1 138 043	-	44 188 548
Transfers	-	9 507	-	-	(8 815)	234	(926)	-	-
Disposals	-	(2 155 783)	(1 354 548)	-	(839 356)	(322 894)	(563 120)	-	(5 235 701)
Accumulated depreciation at 31.12.2024	**-**	**130 148 686**	**601 200 776**	**97 488**	**205 218 934**	**31 881 287**	**26 839 269**	**-**	**995 386 440**
Impairment as at 01.01.2024	**37 801**	**3 649 819**	**22 798 149**	**-**	**537 352**	**483 601**	**139 155**	**-**	**27 645 877**
Adjustment for written off tangible assets	**(37 801)**	(209 619)	**(23 468)**	-	(49 228)	**-**	(870)	-	(320 986)
Impairment of PPE in 2024	10 724	3 856 671	55 028 881	-	8 749 400	36 545	107 656	-	67 789 877
Impairment as at 31.12.2024	**10 724**	**7 296 871**	**77 803 562**	**-**	**9 237 524**	**520 146**	**245 941**	**-**	**95 114 768**
Carrying value as at 01.01.2024	**813 609**	**75 153 005**	**262 840 888**	**15 607**	**128 926 701**	**7 199 601**	**7 412 727**	**56 238 644**	**538 600 782**
Balance at 31.12.2024	**787 471**	**79 291 360**	**198 702 476**	**7 804**	**126 752 423**	**4 736 348**	**6 972 589**	**67 398 867**	**484 649 338**

13. RIGHT-OF-USE ASSETS

(EUR)

	RIGHT-OF-USE LAND PLOTS	RIGHT-OF-USE BUILDINGS AND STRUCTURES	RIGHT-OF-USE OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Historical cost at 01.01.2025	**172 420**	**1 872 840**	**2 084 981**	**4 130 241**
New lease agreements	-	-	403 160	403 160
Contract modifications	46 510	23 828	(7 079)	63 259
Termination of contracts	(8 682)	-	(367 241)	(375 923)
Cost at 31.12.2025	**210 248**	**1 896 668**	**2 113 821**	**4 220 737**
Accumulated depreciation on 01.01.2025	**49 451**	**179 417**	**878 092**	**1 106 960**
Amortization charge	72 946	498 471	798 765	1 370 182
Disposals	(3 375)	(13 920)	(744 606)	(761 901)
Accumulated depreciation at 31.12.2025	**119 022**	**663 968**	**932 251**	**1 715 241**
Carrying value as at 01.01.2025	**122 969**	**1 693 423**	**1 206 889**	**3 023 281**
Balance at 31.12.2025	**91 226**	**1 232 700**	**1 181 570**	**2 505 496**

During the reporting period, LDz incurred expenses related to lease contracts amounting to EUR 361 706 (EUR 212 432 in 2024). These expenses include payments under contracts that, in accordance with IFRS 16, are not recognised as right-of-use assets and lease liabilities (short-term leases).

(EUR)

	RIGHT-OF-USE LAND PLOTS	RIGHT-OF-USE BUILDINGS AND STRUCTURES	RIGHT-OF-USE PLANT AND MACHINERY	RIGHT-OF-USE OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Historical cost at 01.01.2024	**496 629**	**4 481 245**	**1 507**	**3 941 758**	**8 921 139**
New lease agreements	10 173	455 236	-	881 971	1 347 380
Contract modifications	(316 685)	(2 286 823)	-	(2 699 258)	(5 302 766)
Termination of contracts	(17 697)	(776 818)	(1 507)	(39 490)	(835 512)
Cost at 31.12.2024	**172 420**	**1 872 840**	**-**	**2 084 981**	**4 130 241**
Accumulated depreciation on 01.01.2024	**310 213**	**2 375 581**	**1 507**	**2 989 465**	**5 676 766**
Amortization charge	56 757	499 989	-	917 707	1 474 453
Disposals	(317 519)	(2 696 153)	(1 507)	(3 029 080)	(6 044 259)
Accumulated depreciation at 31.12.2024	**49 451**	**179 417**	**-**	**878 092**	**1 106 960**
Carrying value as at 01.01.2024	**186 416**	**2 105 664**	**-**	**952 293**	**3 244 373**
Balance at 31.12.2024	**122 969**	**1 693 423**	**-**	**1 206 889**	**3 023 281**

14. INTANGIBLE ASSETS

Intangible assets are computer software.

(EUR)

LICENCES AND RIGHTS	2025	2024
Historical cost at the beginning of the year	**18 324 522**	**17 319 720**
Purchase and completion	252 399	1 100 920*
Disposals	(1 529 949)	(96 118)
Historical cost at the end of the year	**17 046 972**	**18 324 522**
Accumulated amortisation at the beginning of the year	**15 171 646**	**14 424 534**
Amortisation charge	726 759	843 230
Disposals	(1 529 949)	(96 118)
Accumulated amortisation at the end of the year	**14 368 456**	**15 171 646**
Weakening	16 314	16 314
Carrying amount at the beginning of the year	**3 136 562**	**2 878 872**
Carrying amount at the end of the year	**2 662 202**	**3 136 562**
Intangible assets in unfinished construction objects*	3 341 720	448 648
Intangible assets	**6 003 922**	**3 585 210**

** of which EUR 2 559 214 was reclassified from construction in progress within property, plant and equipment (see Note 12), and EUR 586 257 relates to acquisitions and work performed in 2025 (EUR 945 542 in 2024)*

15. INVESTMENT IN SUBSIDIARIES

SUBSIDIARIES

SIA LDZ CARGO	
Unified registration number	40003788421
Address	Dzirnavu iela 147 k-1, Riga, LV-1050
Shareholding %	100% shareholder – VAS Latvijas dzelzceļš
Reporting year	01.01.2025 – 31.12.2025
SIA LDZ ritošā sastāva serviss	**On 3 October 2025, merged with SIA LDZ CARGO via reorganisation**
SIA LDZ Loģistika	**On 3 October 2025, merged with SIA LDZ CARGO via reorganisation**
SIA LDZ apsardze	
Unified registration number	40003620112
Address	Zasas iela 5-3 Riga, LV-1057
Shareholding %	100% shareholder – VAS Latvijas dzelzceļš
Reporting year	01.01.2025 – 31.12.2025
AS LatRailNet	
Unified registration number	40103361063
Address	Pērses iela 8, Riga, LV-1011
Shareholding %	100% shareholder – VAS Latvijas dzelzceļš
Reporting year	01.01.2025 – 31.12.2025

16. CARRYING AMOUNT OF INVESTMENTS IN SUBSIDIARIES

(EUR)

SUBSIDIARY	HOLD., %	31.12.2025	31.12.2024
SIA LDZ CARGO	100	110 482 274	80 492 369
SIA LDZ ritošā sastāva serviss*	100	-	29 351 905
SIA LDZ apsardze	100	298 803	298 803
AS LatRailNet	100	35 571	35 571
SIA LDZ Loģistika*	100	-	638 000
Total	**X**	**110 816 648**	**110 816 648**

* *Effective from 3 October 2025, part of SIA LDZ CARGO*

Long-term financial investments in the equity of subsidiaries are measured in the accounting records of LDz at their historical cost less accumulated impairment, if any.

Until 3 October 2025, LDz also owned SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika, which were merged into SIA LDZ CARGO via reorganization. As a result of the merger, the share capital of SIA LDZ CARGO was increased by the fair value of the net assets of the companies being merged; accordingly, in LDz's view, there is no basis for changes in the cumulative value of investments in subsidiaries. Consequently, in 2025 LDz increased its investment in SIA LDZ CARGO by adding LDz's investments in SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika.

As a result of this step, the reorganization of the Group that began in the spring of 2025 has been completed. Its aim was both to simplify the Group's structure and reduce costs, as well as to establish SIA LDZ CARGO as a unified, strong, competitive, and profitable company. The reorganization was carried out on the basis of the Cabinet of Ministers Order No. 373 of 25 June 2025, On the termination of the decisive influence and participation of the state joint-stock company Latvijas dzelzceļš in the limited liability company LDZ ritošā sastāva serviss and the limited liability company LDZ Loģistika. On 3 October 2025, the Enterprise Register of the Republic of Latvia adopted Decision No. 6-12/86409, On the entry of the reorganization in the Commercial Register.

17. RESULTS OF SUBSIDIARIES FOR 2025

(EUR)

SUBSIDIARY	SHARE, %	PROFIT/(LOSS) OF 2025	PROFIT/(LOSS) OF 2024	SHAREHOLDER'S EQUITY	
				31.12.2025	31.12.2024
SIA LDZ CARGO	100	(5 348 082)	29 219	143 229 881	114 727 071
SIA LDZ ritošā sastāva serviss*	100	(673 901)	(2 474 599)	-	33 505 496
SIA LDZ apsardze	100	258 920	248 905	878 711	868 696
AS LatRailNet	100	68 312	163 524	198 594	293 806
SIA LDZ Loģistika*	100	(140 754)	(415 764)	-	1 189 270
Total	**x**	**(5 835 505)**	**(2 448 715)**	**144 307 186**	**150 584 339**

* *Effective from 3 October 2025, part of SIA LDZ CARGO*

The Latvijas Dzelzceļš Group manages the public-use railway infrastructure, provides rail transport services and related services. The Group includes: the Group's Parent Company – State Joint Stock Company VAS Latvijas dzelzceļš and its subsidiaries SIA LDZ CARGO, SIA LDZ apsardze, and AS LatRailNet.

The merged company SIA LDZ CARGO, which until now has offered international and domestic freight transport services, including the transport of dangerous and oversized goods, as well as other services related to railway freight transport, now also provides rolling stock repair, modernization, maintenance, and outfitting services, as well as freight forwarding services.

Until 3 October 2025, LDZ ritošā sastāva serviss SIA performed maintenance and repairs of the railway rolling stock, equipped and modernized locomotives, provided shunting diesel locomotive and track machinery rental services.

Until 3 October 2025, LDZ Loģistika SIA provided intermodal freight forwarding and logistics services, as well as attracted new freight flows and organised rail freight transport between Europe and Asia.

SIA LDZ apsardze provides physical security services for various objects and railway cargoes, designs and assembles various security, fire safety, and video surveillance systems, which are subject to technical maintenance and maintenance during operation, as well as monitor the received alarm signals.

LatRailNet AS performs the essential functions of a railway infrastructure manager. The company makes decisions on railway infrastructure capacity allocation, train path allocation, access charge calculation system, charging, assessment and collection, as well as cooperation with other performers of essential functions on international connections.

18. LOANS TO RELATED COMPANIES

The outstanding balance of the loan issued to SIA LDZ CARGO for the financing of diesel locomotive modernisation amounted to EUR 7 921 476 as at 31 December 2025 (the loan was initially granted to SIA LDZ ritošā sastāva serviss and was taken over by SIA LDZ CARGO as a result of the reorganisation).

As at 31 December 2024, following an assessment of the credit quality of the subsidiaries and the total outstanding loan balance, previously recognised expected credit losses were reduced to zero. As at 31 December 2025, based on a renewed credit quality assessment, no allowances for expected credit losses were recognised.

The table below reflects movements in the loan balances:

(EUR)

LOANS TO RELATED COMPANIES	BALANCE AT 01.01.2025	RECLASSIFIED BASED ON MATURITY	REPAID	BALANCE AT 31.12.2025
Non-current portion	7 921 477	(1 980 370)	-	5 941 107
Current portion	3 838 272	1 980 370	(3 838 273)	1 980 369
Total	**11 759 749**	**-**	**(3 838 273)**	**7 921 476**

(EUR)

LOANS TO RELATED COMPANIES	BALANCE AT 01.01.2024	RECLASSIFIED BASED ON MATURITY	REPAID	BALANCE AT 31.12.2024
Non-current portion	11 759 749	(3 838 272)	-	7 921 477
Current portion	4 218 971	3 838 272	(4 218 971)	3 838 272
Total	**15 978 720**	**-**	**(4 218 971)**	**11 759 749**

19. OTHER LONG-TERM FINANCIAL INVESTMENTS

(EUR)

NAME OF THE COMPANY	SHARES, %	CARRYING AMOUNT	
		31.12.2025	31.12.2024
MIRIGO, Belarus and Latvian joint venture	3.0	10 126	10 126
SIA STREK	5.84	73 982	73 982
Gross carrying amount	**x**	**84 108**	**84 108**
Impairment of financial investments	**x**	**(10 126)**	**(10 126)**
Net carrying amount	**x**	**73 982**	**73 982**

20. INVENTORIES

(EUR)

	31.12.2025	31.12.2024
Road surface materials	4 474 607	4 510 499
Other materials	2 080 626	1 718 626
Spare parts	659 572	200 529
Heating and fuel	232 230	248 232
Other inventories	11 253	4 433
Gross carrying amount	**7 458 288**	**6 682 319**
Provisions for obsolete inventories	(2 577 279)	(2 495 072)
Net carrying amount	**4 881 009**	**4 187 247**

Movements in provisions for obsolete inventories:

(EUR)

	2025	2024
Provisions for obsolete inventories at the beginning of the year	2 495 072	2 334 137
Reversal of provisions resulting from the utilisation of inventories	(268 236)	(229 820)
Reversal of provisions resulting from the write-off of inventories	(407)	(6 907)
Additional provisions for obsolete inventories	350 850	397 662
Provisions for obsolete inventories at the end of the year	**2 577 279**	**2 495 072**

During 2025, inventories amounting to EUR 5 584 863 were recognised as expenses (EUR 6 788 486 in 2024). These costs are included under the line item Cost of goods, materials, and services.

21. TRADE AND OTHER RECEIVABLES

(EUR)

	31.12.2025	31.12.2024
Trade receivables	4 151 947	4 352 357
Doubtful debts	1 897 780	842 321
Other receivables	1 661 538	1 388 265
Gross carrying amount	**7 711 265**	**6 582 943**
Expected credit loss	(2 194 476)	(842 321)
Net carrying amount	**5 516 789**	**5 740 622**

(EUR)

MOVEMENT TABLE OF ALLOWANCES FOR EXPECTED CREDIT LOSSES	2025	2024
Allowances for expected credit losses at the beginning of the year	842 321	830 027
Changes in allowances for trade receivables without significant delays	296 696	(30 588)
Reduction of allowances due to recovery of doubtful receivables	(116 983)	(15 578)
Reduction of allowances due to write-off of doubtful receivables	(10 571)	(8 301)
Additional allowances for doubtful receivables (overdue more than 180 days)	1 183 013	66 761
Allowances for expected credit losses at the end of the year	**2 194 476**	**842 321**

In order to estimate the expected credit losses, receivables were grouped according to their risk characteristics and days past due (details are also provided in Note 28). The expected loss rates are based on historical repayment rates determined as the ratio of lost debts to eligible revenue over the past 36 months (counting from 31 December 2025 or 31 December 2024, respectively). Historical loss indicators were adjusted to reflect current and forecasted information on macroeconomic factors affecting buyers' ability to pay to LDz. GDP forecasts are considered the most significant factor since they are most directly affected by changes in bad receivables.

When performing the above calculations as at 31 December 2025, it was identified that the allowances for trade receivables from customers that had not exceeded their payment deadlines, or had exceeded them by less than 6 months, were material. Accordingly, an allowance of EUR 297 thousand was recognised in the financial statements. Equivalent calculations as at 31 December 2024 did not indicate any material expected credit losses.

According to the Company's accounting policy, for trade receivables that are more than six months past due, an allowance is usually made for expected credit losses of 100%, making adjustments only to reflect the possible recoverability of such debts. Similar calculations were made for amounts due from related parties, loans to related parties, other debtors, as well as for cash and cash equivalents, except that these calculations were based not on historical experience, but on the default rates of external credit rating agencies for similar borrowers or groups of borrowers. This approach has been chosen because LDz has no historical data regarding losses for these groups of financial assets.

22. CASH AND CASH EQUIVALENTS

(EUR)

	31.12.2025	31.12.2024
Cash in bank	35 841 058	60 122 576
Cash at hand	1 782	1 069
Total	**35 842 840**	**60 123 645**

23. SHARE CAPITAL

Registered and paid-up share capital

The share capital of LDz amounts to EUR 374 419 791 and consists of three hundred seventy-four million four hundred nineteen thousand seven hundred ninety-one shares, each with a nominal value of EUR 1.00 (one euro).

All shares are held by the Republic of Latvia and are fully paid up. The holder of the state shares is the Ministry of Transport. All shares of LDz rank equal with respect to dividends, liquidation quota, and voting rights in the Shareholder’s Meeting.

24. PROVISIONS

(EUR)

	31.12.2025	31.12.2024
Provisions for costs of injuries at work	166 857	160 785
Other provisions	104 203	118 833
Total non-current portion	**271 060**	**279 618**
Provisions for termination benefits	562 812	1 138 278
Other provisions	129 869	60 000
Total current portion	**692 681**	**1 198 278**
Total	**963 741**	**1 477 896**

Movement table of provisions by type of provision in 2025

(EUR)

	01.01.2025	(DECREASE) IN PROVISIONS	INCREASE IN PROVISIONS	31.12.2025
Provisions for termination benefits	1 138 278	(1 138 278)	562 812	562 812
Provisions for costs of injuries at work	160 785	-	6 072	166 857
Provision for contingent losses from legal proceedings	-	-	129 869	129 869
Other provisions	178 833	(74 630)	-	104 203
Total	**1 477 896**	**(1 212 908)**	**698 753**	**963 741**

Movement table of provisions by type of provision in 2024

(EUR)

	01.01.2024	(DECREASE) IN PROVISIONS	INCREASE IN PROVISIONS	31.12.2024
Provisions for termination benefits	1 205 716	(1 205 716)	1 138 278	1 138 278
Provisions for costs of injuries at work	164 379	(3 594)	-	160 785
Other provisions	129 922	(11 089)	60 000	178 833
Total	**1 500 017**	**(1 220 399)**	**1 198 278**	**1 477 896**

25. BORROWINGS FROM CREDIT INSTITUTIONS

(EUR)

	31.12.2025	31.12.2024
Non-current borrowings from credit institutions	49 035 891	67 605 306
Current borrowings from credit institutions	26 491 675	35 342 969
Total borrowings from credit institutions	**75 527 566**	**102 948 275**
Accrued interest balance	**122 999**	**241 566**

The borrowings were received from *AS SEB banka, Nordic Investment Bank, OP Corporate Bank branch in Latvia,* and *Luminor Bank AS Latvian branch*. In the reporting period, loans of EUR 27 420 709 were repaid.

The loan agreements of LDz with banks provide for certain financial covenants based on either financial statements of LDz or the financial statements of the Group, which must be complied with during the term of the loan agreement. As at 31 December 2024, 31 December 2025 and the beginning of 2026, none of the non-current borrowings was in default.

LDz has not pledged its assets or extended other types of guarantees when borrowing.

Borrowings repayable and interest rates as at 31 December 2025:

CURRENCY OF THE BORROWING	BORROWING, EUR	INTEREST RATE
EUR	67 606 090	3M EURIBOR + 1.29% to 3.5%
	7 921 476	6M EURIBOR + 1.1%
Total	**75 527 566**	

Borrowings repayable and interest rates on borrowings as at 31 December 2024:

CURRENCY OF THE BORROWING	BORROWING, EUR	INTEREST RATE
EUR	92 206 430	3M EURIBOR + 0.86% to 3.5%
	10 741 845	6M EURIBOR + 0.75% to 1.1%
Total	**102 948 275**	

Table of movements in borrowing balances

(EUR)

	2025	2024
Borrowings at the beginning of the reporting period	**102 948 275**	**86 309 363**
Borrowings received in the reporting period	-	44 000 000
Borrowings repaid in the reporting period	(27 420 709)	(27 361 088)
Borrowings at the end of the reporting period	**75 527 566**	**102 948 275**

Calculated interest movement table

(EUR)

	2025	2024
Calculated interest at the beginning of the reporting period	**241 566**	**339 850**
Calculated interest in the reporting period*	3 847 689	4 870 921
Interest paid during the reporting period	(3 966 256)	(4 969 205)
Calculated interest at the end of the reporting period	**122 999**	**241 566**

** Amount of interest capitalised: in 2025 – EUR 1 171 472; in 2024 – EUR 1 006 378.*

26. DEFERRED INCOME

(EUR)

	31.12.2025	31.12.2024
Non-current portion of deferred income (EU funds and state budget resources)	288 562 480	260 892 192
Other deferred income	49 374	49 374
Total non-current portion	**288 611 854**	**260 941 566**
Current portion of deferred income (EU funds and state budget resources)	13 556 362	13 753 997
Other deferred income	25 320	35 931
Total current portion	**13 581 682**	**13 789 928**
Total deferred income	**302 193 536**	**274 731 494**

Major source of the deferred income is financing received from EU funds and the state budget for the development of the railway infrastructure.

Movement of EU and national budget project funds in 2025

(EUR)

DEFERRED INCOME	BALANCE AT 01.01.2025	RECLASSIFIED (TRANSFERRED)	RECEIVED FUNDS	TRANSFER OF FUNDS TO THE PARTNER	DECREASE BY THE AMOUNT DEPRECIATION CHARGE	BALANCE AT 31.12.2025
Non-current portion	260 892 192	(13 628 374)	41 765 700	(467 038)	-	288 562 480
Current portion	13 753 997	13 628 374	-	-	(13 866 009)	13 516 362
Total	**274 646 189**	**-**	**41 765 700**	**(467 038)***	**(13 866 009)**	**302 078 842**

EU funds received in 2025:

- EUR 30 303 439 for the project *Modernisation and Development of the Electrified Railway Network*,
- EUR 4 383 799 for the project *Modernisation of Railway Infrastructure to Increase the Speed of Trains*,
- EUR 3 042 500 for the project RIX-RCS-Aizkraukle direction,
- EUR 2 962 741 for the project *Modernisation of Railway Passenger Infrastructure*,
- EUR 870 386 for the project *Development of an Interoperable Railway System in the Baltic States*,
- EUR 153 275 for the project *Implementation of Digital Power Management*,
- EUR 49 560 for the project *Establishment of Engineering Resource Parks*.

* In 2025, cash was transferred to:

– EUR 467 038 to Eesti Raudtee AS under the project *Establishment of an Interoperable Railway System in the Baltic States* in accordance with the cooperation agreement.

Movement of EU and national budget project funds in 2024

(EUR)

DEFERRED INCOME	BALANCE AT 01.01.2024	RECLASSIFIED (TRANSFERRED)	RECEIVED FUNDS	TRANSFER OF FUNDS TO THE PARTNER	REDUCTION BY DEPRECIATION AND IMPAIRMENT	BALANCE AT 31.12.2024
Non-current portion	274 799 062	(50 750 976)	39 093 511	(2 249 405)	-	260 892 192
Current portion	18 731 370	50 750 976	-	-	(55 728 349)	13 753 997
Total	**293 530 432**	**-**	**39 093 511**	**(2 249 405)**	**(55 728 349)**	**274 646 189**

27. TAXES AND NATIONAL SOCIAL INSURANCE MANDATORY CONTRIBUTIONS

(EUR)

TYPE OF TAX	TAX LIABILITIES 31.12.2025	TAX LIABILITIES 31.12.2024
Personal Income Tax	2 565 331	7 084 463
Value added tax	1 669 843	4 592 218
Statutory social security contributions	1 939 144	2 187 285
Natural resources tax	10 621	12 489
Vehicle operation tax	3 474	373
Business risk duty	1 074	1 221
Company car tax	330	-
For right to use numbering	45	45
Total*	**6 189 862**	**13 878 094**

** As at 31 December 2025, non-current liabilities EUR 1 597 107, current liabilities EUR 4 592 755 (at 31 December 2024, non-current liabilities EUR 3 339 558, current liabilities EUR 10 538 536).*

As at 31 December 2025, LDz has no overdue payments to the budget.

Under non-current liabilities, based on the decision of the State Revenue Service of 20 December 2022 *On the extension of payment deadlines*, the amounts of personal income tax and value added tax, for which the payment deadline is longer than one year, are recognised. The extension of the deadline for paying taxes for another five years has been re-granted for tax amounts that arose during the COVID-19 emergency.

28. FINANCIAL RISK MANAGEMENT

The Company's most important financial instruments are borrowings from banks, other borrowings, cash, as well as receivables and payables. The main task of these financial instruments is to ensure the financing of the Company's operating activity. The Company also has several other financial assets and liabilities, such as trade receivables and payables to suppliers and contractors, arising directly from its economic activities.

The Company is exposed to market, credit, and liquidity risks related to its financial instruments. Financial risk management is ensured by the Finance Department of LDz.

The Company's financial instruments are categorised as follows:

(EUR)

	31.12.2025	31.12.2024
Financial assets at amortised cost		
Trade and other receivables, excluding advances	38 339 836	45 078 808
Cash and cash equivalents	35 842 840	60 123 645
Financial assets at fair value through profit or loss		
Long-term financial investments	73 982	73 982
Total financial assets	**74 256 658**	**105 276 435**
Financial liabilities at amortised cost		
Borrowings from credit institutions	75 527 566	102 948 275
Trade and other payables, including lease liabilities, excluding advances (including the non-current portion)	31 944 382	26 532 095
Total financial liabilities	**107 471 948**	**129 480 370**

Market risk

Market risk is the risk that changes in market factors, such as changes in foreign exchange rates, interest rates, and commodity prices, will affect LDz's revenue or the value of its financial instruments. Market risk includes currency risk and interest rate risk.

Interest rate risk

Interest rate risk is the risk of incurring losses due to changes in interest rates on the Company's assets and liabilities. LDz is exposed to market interest rate risk arising from its non-current liabilities bearing variable interest rates.

All of the Company's borrowings are at variable interest rates. For a detailed description of interest rates on borrowings, see Note 25. Interest rate risk is managed by the Company by regularly assessing the borrowing rates available on the market. If lower interest rates than the existing ones are available, the Company evaluates the financial cost-effectiveness of loan restructuring.

The Company does not use derivative financial instruments to manage interest rate risks.

Interest rate sensitivity

The following table shows the sensitivity of LDz's result before tax to reasonably possible changes in interest rates at the end of each reported reporting period, provided that all other variables remain unchanged. The Company's equity, except for the result of the reporting year, is not affected.

	2025		2024	
	BASE RATE INCREASE/DECREASE (BASIS POINTS)	IMPACT ON PROFIT BEFORE TAX* (EUR)	BASE RATE INCREASE/DECREASE (BASE POINTS)	IMPACT ON PROFIT BEFORE TAX (EUR)
EURIBOR	(+100)	(622 449)	(+100)	(685 629)
	(-100)	632 741	(-100)	685 629

* Estimates the change in actual interest payments under the loan agreements in 2025 and takes into account capitalised interest of EUR 1 171 472.

Currency risk

Currency risk is the risk of incurring losses as a result of unfavourable exchange rate changes related to assets and liabilities in foreign currencies. The currency risk to which the Company is exposed stems mainly from its business activities – revenues and costs are denominated in different currencies. The Company's trade receivables are mostly in *euro*. A detailed breakdown of financial instruments by currency is presented in Note 31.

The main currency risk management tool used by the Company is the identification and use of the Company's foreign currency funds to cover the Company's liabilities in foreign currencies.

The management of LDz has decided not use derivative financial instruments to manage currency risks.

Currency sensitivity

LDz had no significant foreign exchange balances during the reporting year, so the potential impact of currency fluctuations was negligible.

Credit risk

Credit risk is the risk that a counterparty could default on its obligations to LDz, causing it significant financial losses. LDz is exposed to credit risk arising directly from its economic activities, principally trade receivables, and to credit risk related to the LDz's financing activities, mainly cash deposits with banks.

Trade receivables

The Company manages the credit risk of trade receivables in accordance with the Group's policies. Before concluding contracts, the solvency of customers is assessed. LDz secures against credit risk by receiving prepayments from their customers.

LDz continuously monitors the balances of receivables to minimise the possibility of uncollectible debts. Possible impairment of trade receivables is constantly analysed.

LDz has not received any collateral as security for trade receivables.

As at 31 December 2025, LDz had four customers (2024: three customers), each of which owed LDz more than EUR 700 thousand and accounted for about 94.8% (2024: 90.5%) of the total receivables. Excluding the receivables of subsidiaries which are not yet due for payment at 31 December 2025, three customers owed more than EUR 700 thousand, accounting for 88.2% of the total receivables.

LDz does not have an internal credit rating system for assessing trade receivables.

In 2025, the need to recognise expected credit losses for trade receivables without significant payment delays was identified, and accordingly these losses were recognised in the 2025 statement of profit or loss.

Trade receivables are written off only when they are not expected to be recovered. Indications that the recovery is unlikely include, inter alia, the debtor's inability to agree on a repayment schedule accompanied by the debtor's insolvency, bankruptcy, or liquidation.

LDz is exposed to maximum credit risk, as shown in the following table:

(EUR)

	31.12.2025	31.12.2024
Cash and cash equivalents	35 842 840	60 123 645
Trade and other receivables (gross amount), excluding advances and prepayments	32 612 836	34 161 380
Total	**68 455 676**	**94 285 025**

The expected credit loss as at 31 December 2025 are determined by applying the following expected credit loss rates:

(EUR)

	Not overdue	Overdue over 30 days	Overdue over 90 days	Overdue over 120 days	Overdue over 180 days	Total
Expected credit loss rate	0,9%	33,9%	39,2%	41,9%	100%	-
Trade and other receivables (gross)	30 664 920	44 216	4 188	1 732	1 897 780	**32 612 836**
Expected credit loss	(279 327)	(15 002)	(1 641)	(726)	(1 897 780)	**(2 194 476)**

The expected credit loss as at 31 December 2024 are determined by applying the following expected credit loss rates:

(EUR)

	Not overdue	Overdue over 30 days	Overdue over 90 days	Overdue over 120 days	Total
Expected credit loss rate	0,19%	2,00%	10,00%	88,74%	-
Loans to related companies	11 759 749	-	-	-	**11 759 749**
Trade and other receivables (gross)	33 136 298	137 036	33 907	846 139	**34 153 380**
Expected credit loss	(85 302)	(2 741)	(3 390)	(750 888)	**(842 321)**

Cash balances

The credit risk arising from the LDz's cash deposits with banks is managed by the LDz's Finance Department in accordance with the Group's Financial Management Policy. Under the policy, it is permissible to invest the Company's free resources only in deposits or money market funds. Before placing funds in banks (deposits or current accounts), the Finance Department of the Company evaluates banks' credit ratings and offered interest rates.

The Company's cash balances in banks according to bank credit ratings granted by Moody's agency:

(EUR)

CREDIT RATING	31.12.2025	31.12.2024
Aa2	52 256	-
Aa3	2 860 603	60 673
A2	7 333 599	40 472 056
A3	25 511 603	19 404 635
Baa1	31	-
No rating	83 016	185 212
Total	**35 841 108**	**60 122 576**

Liquidity risk

Liquidity risk is the risk that LDz will not be able to pay its financial liabilities when they fall due.

The LDz's Finance Department manages liquidity risk by maintaining adequate cash reserves and ensuring sufficient funding through the granted loans, credit lines, leases, etc., as well as by constantly monitoring the projected and actual cash flows and harmonising the term structure of financial assets and liabilities.

The Company prepares a long-term cash flow forecast for the year and an operational cash flow forecast for four weeks to ensure that the Company has sufficient funds at its disposal to finance the expected operating costs, settle financial obligations, and make the necessary investments.

As at 31 December 2025, LDz's current liabilities exceeded its current assets by EUR 50 thousand. The total liquidity ratio is 1.0. Current liabilities include deferred revenue of EUR 13 556 thousand related to the EU project and state budget fund investments in railway public infrastructure. Excluding deferred income related to investments in public railway infrastructure by EU projects and state budget funds, the liquidity ratio is 1.2.

Based on the above, we believe that LDz is financially sound and able to cover its current payments.

The concluded loan agreements with banks provide for financial ratios that LDz must comply with during the term of the agreement. As at 31 December 2024, 31 December 2025 and the beginning of 2026, none of the borrowings were in default.

In the tables below, the Company's financial liabilities are analysed by maturity, based on the undiscounted amounts of financial liabilities specified in the agreements, including interest payments:

(EUR)

31 DECEMBER 2025	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Borrowings from credit institutions	7 273 398	21 706 257	50 702 276	1 222 487	80 904 418
Other liabilities (including other borrowings, trade and other payables)	17 503 487	11 840 069	1 722 143	916 525	31 982 224
Total	**24 776 885**	**33 546 326**	**52 424 419**	**2 139 012**	**112 886 642**

(EUR)

31 DECEMBER 2024	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Borrowings from credit institutions	7 491 308	31 863 712	70 295 321	2 923 717	112 574 058
Other liabilities (including other borrowings, trade and other payables)	11 813 173	11 397 341	2 222 060	1 042 436	26 475 010
Total	**19 304 481**	**43 261 053**	**72 517 381**	**3 966 153**	**139 049 068**

29. FAIR VALUE CONSIDERATIONS

IFRS 13 establishes a hierarchy of valuation techniques based on whether observable market data is used in the valuation technique or whether market data is not observable. Observable market data are obtained from independent sources. If the market data are not observable, the valuation technique reflects the Company’s assumptions about the market situation.

This hierarchy requires the use of observable market data where available. When carrying out revaluation, the Company takes into account appropriate observable market prices, if possible.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The objective of fair value measurement, even if the market is not active, is to determine the transaction price at which market participants would be willing to sell the asset or assume a liability at a specific measurement date under current market conditions.

Various methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market inputs and are based on internal models. Based on the fair value hierarchy, all valuation techniques are categorised into Level 1, Level 2, and Level 3.

The level of the fair value hierarchy of a financial instrument should be set at the lowest level if the material part of its value is made up of lower-level data.

The classification of a financial instrument in the fair value hierarchy takes place in two stages:

1. Classify data at each level to determine the fair value hierarchy;
2. Classify the financial instrument itself based on the lowest level if the material part of its value is made up of lower-level data.

Quoted market prices — Level 1

The Level 1 valuation technique uses unadjusted quoted prices in an active market for identical assets or liabilities, where the quoted prices are readily available and the price is representative of the actual market situation for arm’s length transactions. The Company has no financial instruments valued at Level 1.

Valuation technique using market data – Level 2

In the models used in the valuation technique at Level 2, all relevant data, directly or indirectly, is observable, on the assets or liability sides. The model uses market data other than the quoted prices included in Level 1, but which are observable either directly (i.e. price) or indirectly (i.e., derived from the price).

The Level 2 fair value hierarchy corresponds to the Company’s cash and cash equivalents.

Valuation technique using market data that is not based on observable market data – Level 3

In the valuation technique, when using market data that is not based on observable market data (non-observable market data) is classified at Level 3. Unobservable market data is considered to be data that is not readily available in an active market, due to an illiquid market or complexity of the financial instrument. Level 3 data are generally determined based on observable market data of a similar nature, historical observations or using analytical approaches.

All of LDz's financial instruments, except cash and cash equivalents, comply with the Level 3 valuation technique.

Assets and liabilities for which fair value is disclosed

The carrying amount of liquid and short-term (with maturity not exceeding three months) financial instruments, such as cash and cash equivalents, short-term deposits, short-term trade receivables, and current trade payables, approximate their fair value.

The fair value of loans from credit institutions and other non-current liabilities is measured by discounting future cash flows at market interest rates. Since the interest rates applied to loans from credit institutions and other non-current liabilities are generally variable and do not differ significantly from market interest rates, and the risk premium applicable to the Company has not changed significantly, the fair value of long-term liabilities approximates their carrying amount.

30. CAPITAL MANAGEMENT

The Republic of Latvia owns 100% of the shares of VAS Latvijas dzelzceļš.

LDz's objectives with regard to capital management are to ensure that LDz is able to continue its activities and deliver the return on capital determined by the shareholders' meeting. The State of Latvia, as the sole owner of the Company’s share capital, has the right to make decisions related to the increase, decrease, payment of dividends or allocation of the Company’s capital for development.

In the context of capital management, the Company assesses the leverage ratio. The Company’s financial risk management policy does not set a minimum or maximum level for this indicator. The loan agreements with banks set out the financial ratios that LDz must meet during the term of the agreement; if the ratios are not met, letters are received from the banks when the annual report is prepared stating that the lender will not require the funds to be repaid over a shorter period. The Company considers the financial conditions set by the banks concerning the leverage ratio when drawing up short- and long-term financial plans and budgets.

(EUR)

	31.12.2025	31.12.2024
Borrowings from credit institutions and other borrowings	75 527 566	102 948 275
Accounts payable (including taxes)	38 196 210	40 512 073
Other liabilities	303 157 277	276 209 390
Total liabilities	**416 881 053**	**419 669 738**
Shareholder’s equity	317 207 355	318 387 731
Total equity and liabilities	**734 088 408**	**738 057 469**
Debt to total capital ratio	57%	57%
Equity to debt ratio	76%	76%

31. FINANCIAL ASSETS AND LIABILITIES BY CURRENCY

The Company's financial instruments by currency as are presented in the table below:

31 DECEMBER 2025	EUR	USD EUR	CHF AND OTHER CURRENCIES EUR	TOTAL EUR
Trade and other receivables, excluding advances	37 867 803	-	472 033	38 339 836
Cash and cash equivalents	35 319 615	81 486	441 739	35 842 840
Total financial assets	**73 187 418**	**81 486**	**913 772**	**74 182 676**
Borrowings from credit institutions	75 527 566	-	-	75 527 566
Trade and other payables, excluding advances	31 231 965	-	712 417	31 944 382
Total financial liabilities	**106 759 531**	**-**	**712 417**	**107 471 948**

31 DECEMBER 2024	EUR	USD EUR	CHF AND OTHER CURRENCIES EUR	TOTAL EUR
Trade and other receivables, excluding advances	44 515 174	-	563 634	45 078 808
Cash and cash equivalents	59 777 374	6 658	339 613	60 123 645
Total financial assets	**104 292 548**	**6 658**	**903 247**	**105 202 453**
Borrowings from credit institutions	102 948 275	-	-	102 948 275
Trade and other payables, excluding advances	25 828 829	-	703 266	26 532 095
Total financial liabilities	**128 777 104**	**-**	**703 266**	**129 480 370**

32. CAPITAL EXPENDITURE COMMITMENTS

LDz also plans to make capital expenditure in property, plant and equipment and intangible assets in the next reporting year, the most significant of which are contracts concluded but not yet finalised:

NAME OF COUNTERPARTY, SUBJECT OF THE CONTRACT	DATE OF CONTRACT	MATURITY OF THE CONTRACT	CONTRACT AMOUNT, EUR
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga - Jelgava	29.07.2021	Maturity date	6 916 649
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga – Krustpils	29.07.2021	Maturity date	10 752 404
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga - Tukums II	29.07.2021	Maturity date	6 162 830
OU Leonhards Weiss: Construction of elevated platforms on the railway line Zemitāni - Skulte (Zemitāni-Vecāķi-Alfa)	30.07.2021	Maturity date	8 084 428
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Zemitāni - Skulte	29.07.2021	Maturity date	8 228 290
General partnership FIMA GROUP: Implementation of unified information and video surveillance systems	12.05.2022.	Maturity date	5 512 291
PA BMGS-FiMA-ASTOM: Modernisation of railway infrastructure to increase the speed of train movement: construction	15.09.2022	Maturity date	57 938 490
PS NORDES BŪVE&BCC: Modernisation and development of the electrified railway network: construction	28.02.2024	Maturity date	60 702 301

In the reporting year, there were no significant approved transactions for which no contracts have been concluded.

Cost of construction in progress

(EUR)

NAME OF OBJECT OF CONSTRUCTION IN PROGRESS	COST OF CONSTRUCTION IN PROGRESS AS AT 31.12.2025	PLANNED COST IN 2026	PLANNED DATE OF PUTTING INTO OPERATION
Modernisation of railway infrastructure to increase the speed of train movement	39 515 818	19 682 405	2026
Modernisation and development of the electrified railway network	27 061 827	41 858 284	2026
Modernisation of Railway Passenger Infrastructure (platforms)	20 785 243	9 542 667	2027
Capital repair and equipment of track infrastructure structures and machinery	5 858 099	6 040 113	2026
Modernization of the Dobele station centralization system	3 652 150	338 696	2026
Renewal, development, and implementation of information systems	3 149 508	1 122 906	2028
Introduction of digital radio	1 945 489	-	2026
Reconstruction of passenger platforms	1 226 286	303 273	2026
Restoration of contact networks and energy	577 464	1 290 825	2026
Other projects	542 097	344 200	2026
Total	**104 313 981**	**80 523 369**	**x**

Construction in progress includes materials purchased for investment projects amounting to EUR 3 468 579.

33. RESEARCH AND DEVELOPMENT ACTIVITIES

In 2025, the Company did not incur any costs related to research and development activities.

34. CONTINGENT TAX LIABILITIES

The tax authorities can at any time conduct an audit of accounting records within three years after the tax year and additionally calculate tax liabilities and penalties. The LDz's Management is not aware of any circumstances that may give rise to possible material liabilities in the future.

35. FUTURE LEASE INCOME

Operating lease income in 2025 amounts to EUR 2 672 132. During the period of next 1 to 5 years, operating lease income is expected to be received in the same amount as in 2025.

36. NUMBER OF EMPLOYEES

In 2025 the Company employed on average 3 160 employees (in 2024: 3 676).

37. RELATED PARTY TRANSACTIONS

The Company applies the exemption under IAS 24 and presents only material transactions with state-related parties. The Company has transactions with the Ministry of Transport (100% shareholder of LDz) and other companies whose shares are owned by the state. The largest transactions are with AS Pasažieru vilciens (payment for the minimum access service package, electricity distribution and sales, premises rental, purchase of subscriber tickets) for EUR 22 753 thousand (EUR 22 018 thousand in 2024) and AS Latvenergo (placement of equipment on sites) for EUR 84 thousand (EUR 364 thousand in 2024 for purchase of natural gas). Mutual transactions are related to the operating activity of the respective parties.

(EUR)

RELATED PARTY	31.12.2025	31.12.2024
Payables to AS Pasažieru vilciens	1 517 701	1 532 165
Payables to AS Latvenergo	13 447	42 271

Transactions with subsidiaries:

(EUR)

COUNTERPARTY	2025 GOODS/ SERVICES SOLD/ PROVIDED	2025 GOODS/ SERVICES PURCHASED/ RECEIVED	2024 GOODS/ SERVICES SOLD/ PROVIDED	2024 GOODS/ SERVICES PURCHASED/ RECEIVED
SIA LDZ CARGO	29 590 472	4 379 665	38 413 713	5 013 266
SIA LDZ ritošā sastāva serviss	1 249 154	2 833 393	2 431 137	5 625 075
SIA LDZ apsardze	288 708	5 832 637	348 014	5 469 014
AS LatRailNet	66 142	-	70 764	2 436
SIA LDZ Loģistika	69 845	-	228 417	-
Total	**31 264 321**	**13 045 695**	**41 492 045**	**16 109 791**

Receivables from related companies:

(EUR)

SUBSIDIARY	31.12.2025	31.12.2024
Current receivables		
SIA LDZ CARGO	2 027 141	2 621 647
SIA LDZ ritošā sastāva serviss	-	264 035
SIA LDZ apsardze	28 895	32 618
SIA LDZ Loģistika	-	20 523
AS LatRailNet	7 466	6 965
Total*	**2 063 502**	**2 945 788**
** of which incurred in December of the reporting year*	*2 063 502*	*2 945 788*
Current loans		
SIA LDZ ritošā sastāva serviss	-	3 838 272
SIA LDZ CARGO	1 980 369	-
Non-current loans		
SIA LDZ ritošā sastāva serviss	-	7 921 477
SIA LDZ CARGO	5 941 107	-

Payables to related companies:

(EUR)

SUBSIDIARY	31.12.2025	31.12.2024
SIA LDZ CARGO	1 021 467	917 070
SIA LDZ apsardze	591 143	662 874
SIA LDZ ritošā sastāva serviss	-	616 300
Total*	**1 612 610**	**2 196 244**
** of which incurred in December of the reporting year*	*1 368 434*	*1 592 216*

38. GOING CONCERN

The operating result for 2025 is a loss of EUR 1 180 thousand.

External factors related to the geopolitical situation, the war in Ukraine, and the imposed international economic sanctions against Russia and Belarus indicate that the situation related to the volumes of freight transportation will not improve significantly in the foreseeable future.

Following Russia's invasion of Ukraine on 24 February 2022, Russia and Belarus have been subject to extensive economic and political sanctions. The sanctions had a significant impact on LDz's operations, requiring a review of internal sanctions management processes as well as additional resources to be allocated to sanctions inspections, both on business partners and on the freight transported.

Given the Company's cooperation with Russian and Belarusian partners in previous years, as well as the nature of its operations, the war in Ukraine has undoubtedly had and will continue to have an impact on the Company's operations in 2025 and beyond. The restrictions in place to date have led to a reduction in cargo volumes and it is difficult to predict the possible impact of additional sanctions on the Company's operations in the future. In view of the risks associated with sanctions, the following measures have been taken:

1. LDz has established a separate Sanctions Department and Sanctions Committee responsible for sanctions reviews, strengthening the exchange of information on sanctions reviews within the Group.
2. The Group has developed and implemented the Sanctions Policy of Latvijas Dzelzceļš Group, ensuring a uniform approach to sanctions checks throughout the Group.
3. In assessing the risks related to significantly expanded lists of sectoral sanctions, LDz strengthened freight inspection procedures by increasing the assessment of freight types and their compliance with the established sectoral sanctions.
4. All persons included in the sanctions lists are reflected in the Sanctions Information System (IS) maintained by LDz, which ensures daily automatic verification of all clients and cooperation partners for coincidence with the lists of sanctioned persons. The lists of IS Sanctions are updated daily automatically from the official sites that maintain news about the sanctions of the Republic of Latvia, the European Union, the UN, and OFAC.
5. In 2026, work continued to upgrade IS Sanctions system, as well as on strengthening the LDz's sanctions monitoring function through several technical improvements.

The Company's Management is aware of the uncertainty associated with the further development of the situation and continues to monitor the development of events daily, as well as their possible impact on the LDz's activities.

LDz continues to review its organisational and technological processes, which has resulted, and will continue to result, in cost reductions. In 2026, it is planned to continue the cost reduction measures initiated in previous periods. Taking into account the progress achieved by LDz in the area of cost optimisation to date, greater focus will be placed in 2026 on the review of the Company's business processes, concentrating on functions necessary to ensure core operations. At the same time, work on technological transformation will continue, supporting more efficient operations through the use of digital tools.

In parallel with cost-cutting measures, the Company is working to increase revenues – both from the rental of facilities and from the provision of services outside the Group.

As mentioned earlier, as at 31 December 2025 LDz's current liabilities exceeded its current assets by EUR 50 thousand. The total liquidity ratio is 1.0. Current liabilities include deferred revenue of EUR 13 556 thousand related to the EU project and state budget fund investments in railway public infrastructure. Excluding deferred income related to investments in public railway infrastructure by EU projects and state budget funds, the liquidity ratio is 1.2. As at 31 December 2025, no borrowings were in default.

As a result of the economic activity, the funds necessary for the financial stability of the national public railway infrastructure manager, as defined by national legislation, amounting to EUR 24 498 thousand are recognised in 2025. The financial stability has been recognised following the guidelines of the IFRS Accounting Standards and in the amount provided for in Section 72 of the law *On the State Budget for 2026 and Budget Framework for 2026, 2027, and 2028*. The request for financial stability will be made after approval of the annual report of LDz in accordance with the procedure set out in Section 9(4) of the *Railway Law* and the Multi-Annual Agreement. In 2025, the funding required to ensure financial stability was recognised as revenue in accordance with the recognition principles laid down in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be repaid in the future.

The criteria for LDz to receive the financial stability payment are the non-fulfilment of the financial stability conditions provided for in Section 9(4) of the *Railway Law* and the Multi-Annual Agreement. Given that in 2025 LDz did not meet the conditions for financial stability set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement, the criteria for receiving financial stability payments set out in Section 9, Paragraph 4 of the *Railway Law* and the Multi-Annual Agreement were therefore met. Both the receipt of financial stability funding in previous years and the conclusion of the Multi-Annual Agreement on 30 December 2025 confirm the appropriateness of recognising revenue for 2025.

Although there is confidence that the financial resources will be received, uncertainty remains regarding the amount and timing of the additional financial resources to be allocated to LDz. This uncertainty arises from paragraph 3.3 of the Multi-Annual Agreement, which provides that allocations for financial stability are planned taking into account the State budget's financial capacity, which may consequently affect the amount of financial stability funding to be received in subsequent years and the timing of its receipt. This uncertainty concerns the funding required to ensure LDz's financial stability

Despite this uncertainty, LDz Management believes that the going concern principle is applicable to the preparation of the financial statements, based on the approval of the strategy and action plan of LDz, the implementation of the new business model of the LDz Group, and the review of organizational and technological processes, which should result in future cost reduction. Likewise, the experience of recent years indicates that an adequate amount of financial stability funding has been included in the State budget during its preparation.

The main task of LDz is to ensure the management of the State public-use railway infrastructure and safe, high-quality, and efficient railway and logistics services in the interests of the State, the public, and the Latvian economy, therefore we believe that the fulfilment of the conditions laid down in Section 9 (4) of the *Railway Law* and the Multi-Annual Agreement will not be delayed. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments, including revaluations of assets and liabilities, that would be necessary if the going concern basis had not been applied.

39. SUBSEQUENT EVENTS

On 3 March 2026, LDz sent a notice to General Partnership BMGS-FIMA regarding the termination of the construction contract. Construction was terminated under only one contract among several contracts concluded for the implementation of the project Modernisation of Railway Passenger Infrastructure, Phase 2. Work under the remaining contracts continues. With regard to the terminated contract, it is planned to launch a new procurement procedure during 2026, while in parallel approaching the funding providers with a request to extend the project deadline until 2029.

There have been no events since the end of the reporting year, that have had a material impact on the information presented in the financial statements for 2025.

Riga, see the timestamp for the date.

Chairman of the Board	A.Grinbergs
Member of the Board	R.Pļavnieks

The annual report was prepared by the Finance Department of VAS Latvijas dzelzceļš:
Finance Director T.Labzova-Ceicāne

The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

Independent Auditors' Report

To the shareholder of Latvijas dzelzceļš VAS

Report on the Audit of the Separate Financial Statements

Our Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Latvijas dzelzceļš VAS ("the Company") set out on pages 16 to 60 of the accompanying Annual Report, which comprise:

— the statement of comprehensive income for the year ended as at 31 December 2025,

— the statement of financial position as at 31 December 2025,

— the statement of changes in equity for the year ended as at 31 December 2025,

— the statement of cash flows for the year ended as at 31 December 2025, and

— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of Latvijas dzelzceļš VAS as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate Financial Statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code), and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

— the Management Report, as set out on page from 3 to 15 of the accompanying Annual Report.

Our opinion on the separate financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics SIA
Licence No. 55

Armine Movsisjana

Armine Movsisjana
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 178
Riga, Latvia

26 March 2026

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails