

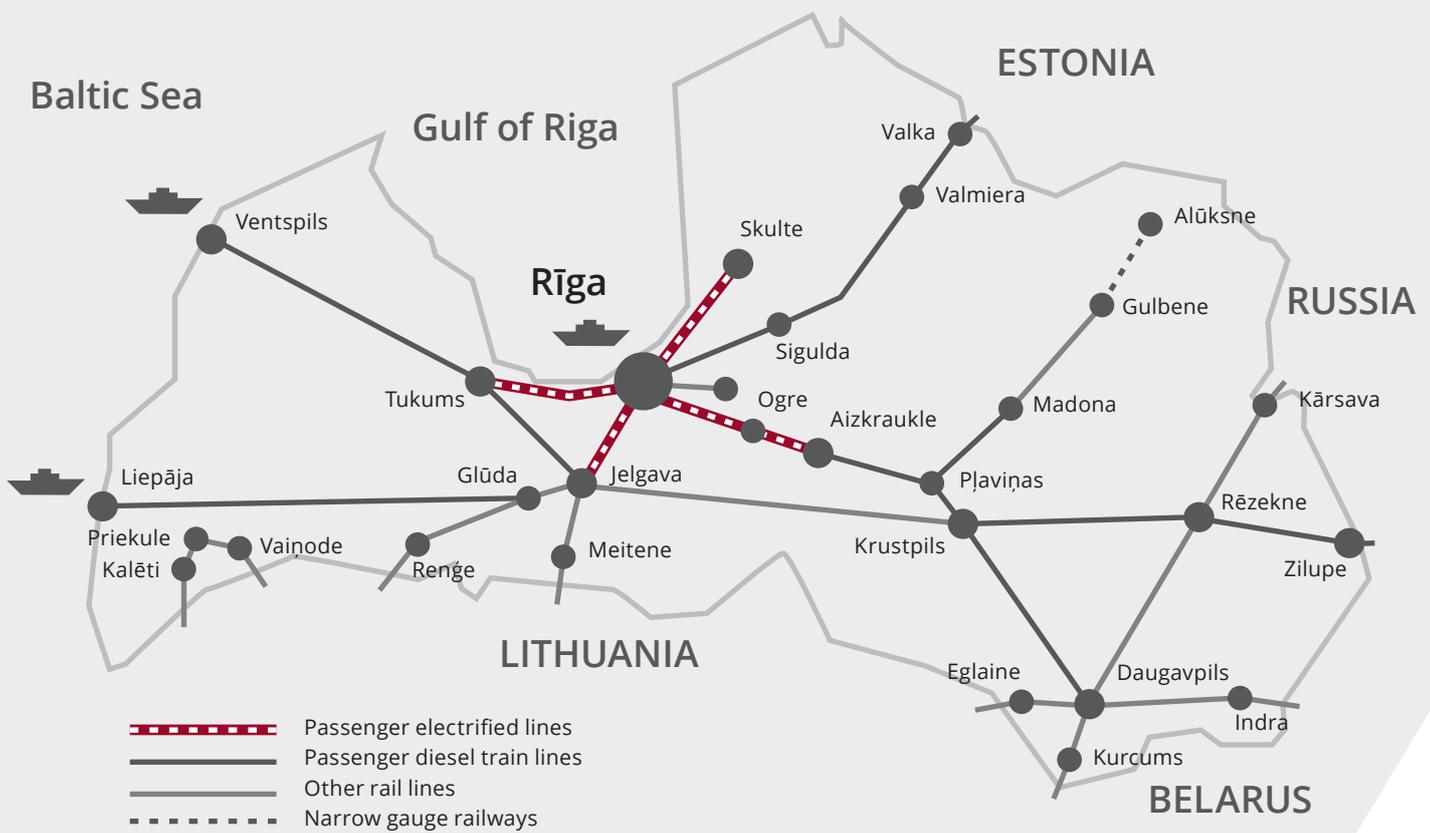
SJSC "LATVIJAS DZELZCEĻŠ"

ANNUAL REPORT

2015



LATVIJAS DZELZCEĻŠ
Dzelzceļa infrastruktūras pakalpojumi



LATVIAN RAILWAY MAP

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Edvīns Bērziņš
President of SJSC "Latvijas dzelzceļš"

A YEAR OF INVESTMENTS, REGULATIONS FRAMEWORK, AND ADVANCEMENT TO GOOD GOVERNANCE

2015 was of great significance for "Latvijas dzelzceļš" – we completed one of the most ambitious investment stages of the company's history, while implementing a number of financially, technologically and time-frame-wise complicated projects. The projects, accomplished with co-financing of European Union funds, allowed us to improve the quality of the infrastructure significantly and make the railway more sophisticated.



Besides, of not less importance, these projects were completed within the provided budget, demonstrating the good and professional work of the team.

High-quality railway infrastructure is significant for economic development, as it allows traders to transport goods by rail, and it generates income for the State both by means of direct income and by taxes and the economy as a whole, as well as, of course, contributes to many dozens of thousands of jobs. Whereas, high-quality rail infrastructure provides passengers with convenient and quick access to the chosen destination.

Investments in infrastructure facilitate a contribution to the national economy – according to the estimate of world experts, a 10% increase in investments in transport infrastructure gives **about 1% growth in GDP**.

Therefore, investment projects executed by the Latvian railway are important not only for us and the industry, but for every Latvian citizen and the State as a whole.

Last year was also significant for considerable work and extensive discussions on amendments to the national Railway Law.

These amendments were necessary for upgrading the regulations of the railway sector in Latvia and the implementation of the European Union Directive establishing a Single European Railway Area.

European Union requirements anticipate more extensive **involvement of the State in the maintenance and development of the railway infrastructure**, therefore the work on proposals to amend the law will continue this year.

Latvia still remains amongst the few countries in the European Union that does not directly contribute to the maintenance and development of the railway infrastructure.

Currently, subject to the provisions of the European Union Directive incorporated in the Railway Law, **the State shall conclude a multi-annual agreement with the railway infrastructure manager for a minimum of a five year period.**

On its merits, this means that the State will have to cover the costs of railway infrastructure management sooner or later for ensuring sustainable development of the railway. Just as costs of highway construction and maintenance are covered.

The railway is moving and developing relentlessly. We are looking for modernisation for the coming years as well, therefore we will carry on developing subsequent five-year investment projects this year to obtain European Union co-financing.

We are on the verge of starting the largest project in the company's history – electrification of the rail network.

Scale of the project and its impact on the national economy will be extremely important, therefore we are looking for in-depth discussions with industry, business associations and the State at first.

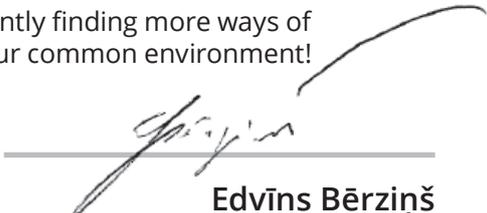
Only arriving at this decision, we will evaluate other investment projects, which are also vital for the railway – like the construction of a new traffic coordination and management centre, development of Riga and Daugavpils railway junction infrastructure, as well as further modernisation of the passenger traffic infrastructure by upgrading platforms and railway stations according to contemporary requirements.

Investments in infrastructure are quite necessary, yet it is not the sole matter we are working on.

I want to ensure that "Latvijas dzelzceļš" becomes **the best-governed company in the Baltic states** within the next 10 years. This means not only changes in the business processes and the implementation of information technologies, but also greater receptiveness and dialogue with customers, partners and society.

"Latvijas dzelzceļš" has to become more streamlined in the coming years, while ensuring the stability of the company and the industry.

Let's work together to succeed in jointly finding more ways of improving both our operations and our common environment!



Edvīns Bērziņš
President of SJS "Latvijas dzelzceļš"

**Aivars Strakšas***Vice-president of SJS "Latvijas dzelzceļš"*

THE YEAR OF INVESTMENT PROJECTS

The year 2015 was the year with the focus on investment projects for "Latvijas dzelzceļš" – the largest amount of investments in company history ever, has been uptaken during this year. The last year of the previous EU financial programming period was the rationale as to why all investment projects with EU co-financing launched during the previous five years had to be completed.

The major projects implemented last year were – modernisation of the Šķīrotava Station (Riga Marshalling Yard) and the main data transmission network, construction of Bolderāja 2 Station along with a railway track providing a link to Krievu island, as well as other projects.

"Latvijas dzelzceļš" has been assigned another six projects to be carried out within a fairly tight schedule in 2015, among which were – infrastructure modernisation in 16 passenger stations, expansion of Liepāja railway junction, as well as upgrade of railway tracks and the signalling system.



The ability to implement works of this large scale is a clear proof to the employees' professionalism and the quality of the processes in our company.

CAPITAL INVESTMENTS IN 2015



67.32

mil. EUR

Self-funded projects of reconstruction, modernisation and overhauling of fixed assets



216.9

mil. EUR

Volume of capital investments in 2015



+116

mil. EUR

Thanks to completed investment projects, the fixed assets have increased by +116 mil. EUR

We consider our company's ability to maintain transportation volume at a high level and to avoid the pessimistic scenarios coming true, despite mutual economic sanctions between the European Union and Russia, as well as extensive railway infrastructure modernisation works, to be a great success.

We started the year quite cautiously when deciding on very conservative budgeting as we considered a possible sharp drop in freight volume because of sanctions. However, **all companies of the Group closed the year with a profit and good financial indicators**, thanks to cohesion and the ability to solve complex tasks professionally.

The challenge for 2016 is being in a position to review business models, service rates, as well as adapt to changed freight nomenclature – coal freight volumes on Latvijas dzelzceļš infrastructure have had a tendency to decrease for several years. Our priority, jointly with the partners, is looking for new freight and attracting it to the Latvian ports via the transit corridor, as well as ensuring higher efficiency of the Company's activities.



Aivars Strakšas

Vice-president of SJS "Latvijas dzelzceļš"

**Ēriks Šmuksts**

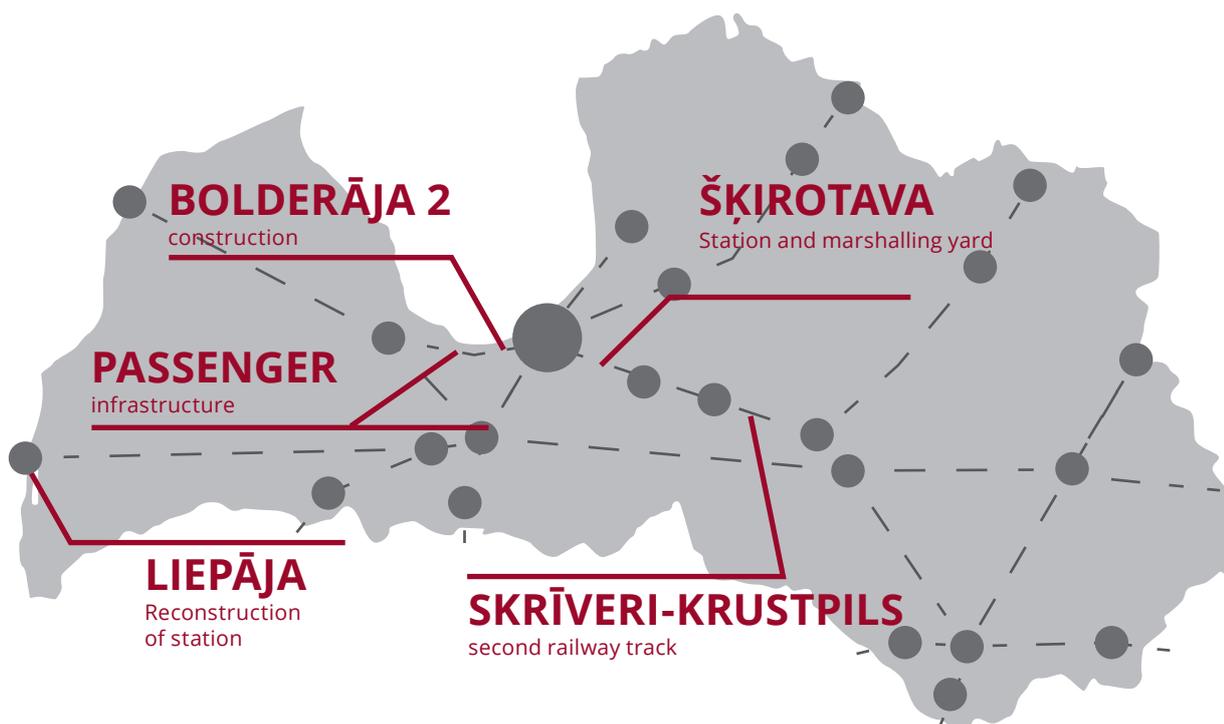
Vice-president of SJSC "Latvijas dzelzceļš"

CHALLENGING YET SUCCESSFUL YEAR

2015 was technologically difficult yet successful for the Latvian railway – "Latvijas dzelzceļš" has managed to not only maintain significant transport volumes but also ensured the implementation and completion of technologically sophisticated infrastructure projects on time in the light of global economic events when the freight volumes started to decline because of mutual economic sanctions between the European Union and Russia.

For implementation of crucial improvement works of railway infrastructure at the main junctions, Riga and Liepaja, as well as many other places in Latvia, **while preventing a drop of transportation volumes** that would adversely affect not only the company's but also the Country's economics, "Latvijas dzelzceļš" performed highly sophisticated scheduling of trains. Thus, we succeeded in essential modernisation works by replacing outdated technology and equipment without noticeable traffic interruptions and **giving up none of the freight** thanks to the joint effort of traffic controllers, railway workers, and many other specialists of the Company.

State-of-the-art and one of the most advanced marshalling yards in the Baltic region was built by "Latvijas dzelzceļš" as a result of modernisation co-financed by the European Union Funds with computer guided marshalling of the wagons instead of man driven train formation, thus eliminating the risk to our employees.

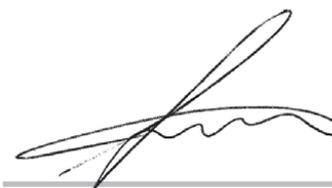


Significant changes have also been made in Liepaja Station where rail switches were operated by signalmen before, but now the trains are controlled by a microprocessor-based SCB system.

“Latvijas dzelzceļš” completed construction of **Bolderāja 2** Station along with railway tracks linking it to terminals at Krievu Island last year as well as

 more than 10 other major railway development projects supported by the European Union.

Modernisation works completed last year have resulted in very well developed infrastructure of “Latvijas dzelzceļš”, so significant streamline development projects are not foreseen this year. Therefore, we will devote more attention to the efficiency of **all stages** – the rolling-stock, station operations shall be upgraded, B-type rail repairs by cleaning and replacing the upper layer of track bedding shall be carried out in many places that will extend the service life of rails.



Ēriks Šmuksts
Vice-president of SJS “Latvijas dzelzceļš”

CONDENSED FINANCIAL STATEMENTS

“LATVIJAS DZELZCEĻŠ” GROUP

CONSOLIDATED INCOME STATEMENT FOR 2015

(EUR) '000

	2015	2014
Net turnover	420 163	440 898
Cost of goods sold	(407 610)	(415 954)
Gross profit	12 553	24 944
Administrative expenses	(28 605)	(32 728)
Other operating income	38 560	26 256
Overhead expenses	(15 968)	(12 515)
Loss from participation in associated undertakings	(30)	(49)
Income from long-term investments	157	137
Finance income	1	35
Finance costs	(2 385)	(2 552)
Profit before tax	4 283	3 528
Corporate income tax	(3 700)	(2 367)
Profit for the reporting year	583	1 161

Riga, March 29, 2016



E. Bērziņš
Chairman of the Board



A. Strakšas
Member of the Board



Ē. Šmuksts
Member of the Board

ANNEX

Basis of preparation of the consolidated financial statements.

These condensed consolidated financial statements, consisting of a consolidated statement of the financial position as at 31 December 2015, a consolidated income statement and a consolidated statement of comprehensive income for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of SJS “Latvijas dzelzceļš”, without making any changes thereto. Audited consolidated financial statements are available from the management of the SJS “Latvijas dzelzceļš”. Consequently, these condensed consolidated financial statements correspond to the consolidated financial statements.

"LATVIJAS DZELZCEĻŠ" GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2015

(EUR) '000

	2015	2014
Profit for the reporting year	583	1 161
Other income:		
Items that will not be reclassified to profit or loss:		
Revaluation of fixed assets	(4 887)	(1 987)
Deferred tax, directly recognised in other income of revalued fixed assets	733	298
Other income for the reporting year	(4 154)	(1 689)
Comprehensive income for the reporting year	(3 571)	(528)
Profit for the reporting year and comprehensive income attributable to the majority shareholders of the Group	(3 571)	(528)

Riga, March 29, 2016



E. Bērziņš
Chairman of the Board



A. Strakšas
Member of the Board



Ē. Šmuksts
Member of the Board

"LATVIJAS DZELZCEĻŠ" GROUP

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION 31 DECEMBER 2015

(EUR) '000

ASSETS	31.12.2015	31.12.2014
LONG-TERM INVESTMENTS		
Fixed assets	935 873	802 294
Intangible Assets	1 636	1 617
Advances paid for fixed assets	746	29 697
Long-term financial investment	494	494
Participation in the capital of associated undertakings	115	145
Long-term trade receivables	200	187
TOTAL LONG-TERM INVESTMENTS	939 064	834 434
CURRENT ASSETS		
Inventories	29 835	36 813
Trade and other receivables	16 771	18 157
Corporate income tax	905	2 079
Cash and cash equivalents	28 209	80 549
TOTAL CURRENT ASSETS	75 720	137 598
TOTAL ASSETS	1 014 784	972 032

"LATVIJAS DZELZCEĻŠ" GROUP

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION 31 DECEMBER 2015 (CONTINUED)

(EUR) '000

EQUITY AND LIABILITIES	31.12.2015	31.12.2014
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to the majority shareholders of the Group:		
Share capital	256 720	256 720
Long-term investments revaluation reserve	56 344	60 498
Other reserves and retained earnings b/f	43 071	39 687
Comprehensive income for the reporting year	583	1 161
TOTAL EQUITY	356 718	358 066
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	29 770	27 712
Provisions	1 084	706
Borrowings from credit institutions	167 167	131 902
Other borrowings	2 555	2 679
Trade payables	3 875	7 736
Deferred income	318 618	275 603
TOTAL NON-CURRENT LIABILITIES	523 069	446 338
CURRENT LIABILITIES		
Borrowings from credit institutions	28 872	26 694
Other borrowings	124	137
Provisions	30 927	34 400
Trade and other payables	43 437	63 715
Corporate income tax	1 335	66
Taxes and mandatory state social security contributions	13 642	15 046
Deferred income	16 660	27 570
TOTAL CURRENT LIABILITIES	134 997	167 628
TOTAL LIABILITIES	658 066	613 966
TOTAL EQUITY AND LIABILITIES	1 014 784	972 032

Riga, March 29, 2016


E. Bērziņš
 Chairman of the Board


A. Strakšas
 Member of the Board


Ē. Šmuksts
 Member of the Board

STATE JOINT STOCK COMPANY "LATVIJAS DZELZCEĻŠ"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	217 799 590	224 854 541
Cost of goods sold	(227 929 551)	(217 860 646)
Gross profit/loss	(10 129 961)	6 993 895
Administrative expenses	(18 202 779)	(18 783 297)
Other operating income	40 192 117	35 360 924
Overhead expenses	(7 238 247)	(10 441 747)
Income from participation in the capital of associated undertakings	1 732 542	1 515 549
Income from securities and loans forming long-term investments	157 040	137 420
Other interest income and similar income	80 162	36 229
Interest expense and similar expenses	(2 152 401)	(2 205 210)
Profit before taxes	4 438 473	12 613 763
Corporate income tax	-	-
Deferred corporate income tax	(2 371 283)	(1 905 049)
Profit after tax for the reporting period	2 067 190	10 708 714

Riga, March 29, 2016



E. Bērziņš
Chairman of the Board



A. Strakšas
Member of the Board



Ē. Šmuksts
Member of the Board

STATE JOINT STOCK COMPANY "LATVIJAS DZELZCEĻŠ"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	1 529 644	1 508 081
SUBTOTAL I	1 529 644	1 508 081
II. Fixed assets		
1. Land plots, buildings, structure and perennial plantings	464 446 650	385 875 895
2. Long-term investments in leased fixed assets	2 017 249	2 243 137
3. Equipment and machinery	151 046 371	108 991 612
4. Other fixed assets and fixtures	15 387 617	15 009 493
5. Fixed assets under construction and construction	79 068 063	53 071 088
6. Advances paid for fixed assets	743 926	31 128 814
SUBTOTAL II	712 709 876	596 320 039
III. Long-term financial investment		
1. Participation in related undertakings	125 701 736	125 701 736
2. Other securities and investments	494 227	494 227
SUBTOTAL III	126 195 963	126 195 963
1. SECTION TOTAL	840 435 483	724 024 083
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	9 874 249	21 238 404
2. Finished goods and goods for sale	6 661	3 487
3. Work in progress	335	13 239
4. Advance payments for goods	230 612	98 600
5. Working animals and productive animals	24	14
SUBTOTAL I	10 111 881	21 353 744
II. Accounts Receivable		
1. Trade receivables	4 967 197	5 674 690
2. Receivables from related undertakings	6 494 586	11 331 430
3. Other receivables	807 360	1 513 395
4. Prepaid expenses	958 847	1 173 041
SUBTOTAL II	13 227 990	19 692 556
III. Cash	48 657	53 828 715
SUBTOTAL III	48 657	53 828 715
2. SECTION TOTAL	23 388 528	94 875 015
BALANCE SHEET	863 824 011	818 899 098

STATE JOINT STOCK COMPANY "LATVIJAS DZELZCEĻŠ"

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. SHARE CAPITAL (EQUITY CAPITAL)	256 720 375	256 720 375
2. RESERVES: OTHER RESERVES	8 777 315	1
3. RETAINED EARNINGS: PROFIT FOR THE REPORTING YEAR	2 067 190	10 708 714
1. SECTION TOTAL	267 564 880	267 429 090
2. PROVISIONS		
1. OTHER PROVISIONS	27 035 604	30 937 816
2. SECTION TOTAL	27 035 604	30 937 816
3. LIABILITIES		
I. LONG-TERM LIABILITIES		
1. Borrowings from credit institutions	161 453 887	122 492 361
2. Other borrowings	2 554 578	2 671 582
3. Trade payables	3 807 007	7 696 295
4. Deferred income	318 618 331	275 603 483
5. Deferred tax liabilities	11 953 420	9 582 137
SUBTOTAL I	498 387 223	418 045 858
II. Current liabilities		
1. Borrowings from credit institutions	24 833 991	22 749 231
2. Other borrowings	117 004	117 003
3. Advances from customers	929 662	648 345
4. Trade payables	8 596 708	32 527 764
5. Amounts owed to related undertakings	5 795 663	5 770 292
6. Taxes and mandatory state social security contributions	7 057 126	7 231 784
7. Other payables	6 810 012	5 708 478
8. Deferred income	16 659 289	27 568 061
9. Accrued liabilities	36 849	165 376
SUBTOTAL II	70 836 304	102 486 334
3. SECTION TOTAL	569 223 527	520 532 192
BALANCE SHEET	863 824 011	818 899 098

Riga, March 29, 2016



E. Bērziņš
Chairman of the Board



A. Strakšas
Member of the Board



Ē. Šmuksts
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of SJSC "Latvijas dzelzceļš", without making any changes thereto. Audited financial statements are available from the management of the SJSC "Latvijas dzelzceļš". Consequently, these condensed financial statements correspond to the overall financial statements.

LIMITED LIABILITY COMPANY "LDZ CARGO"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	332 706 150	365 506 543
Cost of goods sold	(311 610 225)	(350 839 872)
Gross profit/loss	21 095 925	14 666 671
Administrative expenses	(7 952 939)	(10 281 488)
Other operating income	1 675 077	1 425 143
Overhead expenses	(10 513 788)	(3 434 168)
Other interest income and similar income	23 288	8 093
Interest expense and similar expenses	(179 058)	(249 852)
Profit before taxes	4 148 505	2 134 399
Corporate income tax	(1 573 000)	(200 774)
Deferred corporate income tax	293 344	(231 910)
Profit after tax for the reporting period	2 868 849	1 701 715

Riga, March 7, 2016



M. Bremze
Chairman of the Board



V. Grjaznovs
Member of the Board



I. Kleinberga
Member of the Board



A. Reķis
Member of the Board

LIMITED LIABILITY COMPANY "LDZ CARGO"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	103 236	40 797
2. Advance payment for fixed assets	-	66 640
SUBTOTAL I	103 236	107 437
II. Fixed assets		
1. Land plots, buildings, structure and perennial plantings	1 543 356	372 670
2. Equipment and machinery	129 185 800	151 601 860
3. Other fixed assets and fixtures	820 125	942 431
4. Fixed assets under construction and construction	3 816	-
SUBTOTAL II	131 553 097	152 916 961
III. Long-term financial investment		
1. Participation in related undertakings	142 287	142 287
SUBTOTAL III	142 287	142 287
1. SECTION TOTAL	131 798 620	153 166 685
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	1 299 937	1 793 287
2. Advance payments for goods	219 425	136 985
SUBTOTAL I	1 519 362	1 930 272
II. Accounts Receivable		
1. Trade receivables	2 888 465	3 992 272
2. Receivables from related undertakings	15 577 878	1 752 044
3. Other receivables	5 714 675	4 764 574
4. Prepaid expenses	85 004	73 064
SUBTOTAL II	24 266 022	10 581 954
III. Cash	24 660 656	20 926 063
SUBTOTAL III	24 660 656	20 926 063
2. SECTION TOTAL	50 446 040	33 438 289
BALANCE SHEET	182 244 660	186 604 974

LIMITED LIABILITY COMPANY "LDZ CARGO"

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	80 492 369	80 492 369
2. Reserves: other reserves	37 476 702	37 476 702
3. Retained earnings:		
a) retained earnings b/f	3 988 627	3 988 627
b) profit for the reporting year	2 868 849	1 701 715
1. SECTION TOTAL	124 826 547	123 659 413
2. PROVISIONS		
1. Provisions for pensions and similar obligations	323 459	301 361
2. Other provisions	14 050 280	13 322 602
2. SECTION TOTAL	14 373 739	13 623 963
3. LIABILITIES		
I. Long-term liabilities		
1. Borrowings from credit institutions	5 551 133	7 296 837
2. Deferred tax liabilities	11 481 271	11 774 615
SUBTOTAL I	17 032 404	19 071 452
II. Current liabilities		
1. Borrowings from credit institutions	2 087 842	1 994 511
3. Advances from customers	5 561 194	3 896 819
4. Trade payables	6 167 933	6 366 838
5. Amounts owed to related undertakings	5 607 219	13 107 282
6. Taxes and mandatory state social security contributions	3 526 553	2 410 010
7. Other payables	2 727 295	2 406 675
8. Accrued liabilities	333 934	68 011
SUBTOTAL II	26 011 970	30 250 146
3. SECTION TOTAL	43 044 374	49 321 598
BALANCE SHEET	182 244 660	186 604 974

Riga, March 7, 2016



M. Bremze
Chairman of the Board



V. Grjaznovs
Member of the Board



I. Kleinberga
Member of the Board



A. Reķis
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements consisting of the balance sheet as at 31 December 2015 and an income statement for 2015 are based on the respective information of the audited 2015 financial statements of "LDZ CARGO Ltd." without making any changes thereto. Audited financial statements are available from the management of "LDZ CARGO Ltd." Consequently, these condensed financial statements correspond to the financial statements.

LIMITED LIABILITY COMPANY "LDZ CARGO LOGISTIKA"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	12 312 843	9 942 083
Cost of goods sold	11 775 730	(9 453 430)
Gross profit/loss	537 113	488 653
Administrative expenses	(365 981)	(343 792)
Other operating income	36 476	13 306
Overhead expenses	(37 972)	(28 067)
Other interest income and similar income	24	156
Profit before taxes	169 660	130 256
Corporate income tax	(28 382)	(25 146)
Profit after tax for the reporting period	141 278	105 110

Riga, 26 February 2016



M. Kancāns
Chairman of the Board



R. Tukāns
Member of the Board



I. Rudzīte
Member of the Board

LIMITED LIABILITY COMPANY "LDZ CARGO LOGISTIKA"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Fixed assets		
1. Other fixed assets and fixtures	9 518	10 733
I. TOTAL	9 518	10 733
1. SECTION TOTAL	9 518	10 733
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	2 311	6 105
2. Advance payments for goods	75 432	311 456
I. TOTAL	77 743	317 561
II. Accounts Receivable		
1. Trade receivables	620 249	458 327
2. Receivables from related undertakings	124 709	180 449
3. Other receivables	91 442	87 484
4. Prepaid expenses	821	219
II. TOTAL	837 221	726 479
III. Cash	205 475	298 720
III. TOTAL	205 475	298 720
2. SECTION TOTAL	1 120 439	1 342 760
BALANCE SHEET	1 129 957	1 353 493

LIMITED LIABILITY COMPANY "LDZ CARGO LOGISTIKA"

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	142 287	142 287
2. Reserves:		
a) other reserves	18 216	18 216
3. Retained earnings:		
a) retained earnings b/f	337 806	232 696
b) profit for the reporting year	141 278	105 110
1. SECTION TOTAL	639 587	498 309
2. PROVISIONS		
1. Other provisions	6 343	8 901
2. SECTION TOTAL	6 343	8 901
3. LIABILITIES		
I. Current liabilities		
1. Advances from customers	292 213	647 805
2. Trade payables	25 640	6 090
3. Amounts owed to related undertakings	143 231	168 536
4. Taxes and mandatory state social security contributions	11 809	11 615
5. Other payables	10 704	10 947
6. Accrued liabilities	430	1 290
I. TOTAL	484 027	846 283
3. SECTION TOTAL	484 027	846 283
BALANCE SHEET	1 129 957	1 353 493

Riga, 26 February 2016



M. Kancāns
Chairman of the Board



R. Tukāns
Member of the Board



I. Rudzīte
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of "LDZ Cargo Logistika Ltd.", without making any changes thereto. Audited financial statements are available from the management of "LDZ Cargo Logistika Ltd." Consequently, these condensed financial statements correspond to the overall financial statements.

LIMITED LIABILITY COMPANY "LDZ INFRASTRUKTŪRA"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	24 949 840	23 939 967
Cost of goods sold	(22 463 409)	(21 021 140)
Gross profit/loss	2 486 431	2 918 827
Administrative expenses	(1 362 932)	(1 723 808)
Other operating income	124 248	96 751
Overhead expenses	(436 210)	(112 544)
Other interest income and similar income	31	603
Interest expense and similar expenses	(2 114)	(7 293)
Profit before taxes	809 454	1 172 536
Corporate income tax	-	-
Deferred corporate income tax	(168 551)	(283 006)
Profit after tax for the reporting period	640 903	889 530

Riga, 03 March 2016



J. Ceicāns
Chairman of the Board



V. Dajeckis
Member of the Board



M. Kabaļska
Member of the Board



S. Vētra
Member of the Board

LIMITED LIABILITY COMPANY "LDZ INFRASTRUKTŪRA"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	2 420	775
SUBTOTAL I	2 420	775
II. Fixed assets		
1. Land plots, buildings, structure and perennial plantings	216 107	239 253
2. Long-term investments in leased fixed assets	5 025	23 658
3. Equipment and machinery	12 766 315	13 351 023
4. Other fixed assets and fixtures	1 149 046	1 068 178
5. Fixed assets under construction and construction in progress	-	28 110
6. Advances paid for fixed assets	-	133 044
SUBTOTAL II	14 136 493	14 843 266
III. Long-term financial investment		
1. Long-term trade receivables	199 770	187 100
SUBTOTAL III	199 770	187 100
1. SECTION TOTAL	14 338 683	15 031 141
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	282 111	310 063
2. Work in progress	2 118	49 186
3. Finished goods and goods for sale	35 725	34 419
4. Advance payments for goods	21 175	196 228
SUBTOTAL I	341 129	589 896
II. Accounts Receivable		
1. Trade receivables	142 918	757 945
2. Receivables from related undertakings	3 772 217	3 316 998
3. Other receivables	114 356	481 471
4. Prepaid expenses	17 433	15 171
SUBTOTAL II	4 046 924	4 571 585
III. Cash	1 610 688	2 724 662
SUBTOTAL III	1 610 688	2 724 662
2. SECTION TOTAL	5 998 741	7 886 143
BALANCE SHEET	20 337 424	22 917 284

LIMITED LIABILITY COMPANY "LDZ INFRASTRUKTŪRA"

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	15 523 088	15 523 088
2. Other reserves	295 913	10 798
3. Retained earnings b/f	1 255 813	651 398
4. Profit for the reporting year	640 903	889 530
1. SECTION TOTAL	17 715 717	17 074 814
2. PROVISIONS		
1. Other provisions	324 810	254 105
2. SECTION TOTAL	324 810	254 105
3. LIABILITIES		
I. Long-term liabilities		
1. Long-term trade payables	67 813	39 459
2. Deferred tax liabilities	587 413	418 862
SUBTOTAL I	655 226	458 321
II. Current liabilities		
1. Other borrowings	-	12 091
2. Advances from customers	-	1 567 920
3. Trade payables	596 528	947 410
4. Amounts owed to related undertakings	152 853	1 368 676
5. Taxes and mandatory state social security contributions	363 972	527 889
6. Other payables	354 330	483 053
7. Accrued liabilities	173 988	223 005
SUBTOTAL II	1 641 671	5 130 044
3. SECTION TOTAL	2 296 897	5 588 365
BALANCE SHEET	20 337 424	22 917 284

Riga, 03 March 2016



J. Ceicāns
Chairman of the Board



V. Daļeckis
Member of the Board



M. Kabaļska
Member of the Board



S. Vētra
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of "LDZ infrastruktūra Ltd.", without making any changes thereto. Audited financial statements are available from the management of "LDZ infrastruktūra Ltd." Consequently, these condensed financial statements correspond to the overall financial statements.

LIMITED LIABILITY COMPANY "LDZ RITOŠĀ SASTĀVA SERVISS"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	83 282 596	116 871 623
Cost of goods sold	(80 009 246)	(110 903 533)
Gross profit	3 273 350	5 968 090
Administrative expenses	(2 618 783)	(4 211 554)
Other operating income	1 873 138	1 423 057
Overhead expenses	(1 911 385)	(1 047 141)
Other interest income and similar income	4	639
Interest expense and similar expenses	(154 136)	(101 026)
Profit before taxes	462 188	2 032 065
Corporate income tax	-	(297 302)
Deferred corporate income tax	(415 104)	(68 521)
Profit after tax for the reporting period	47 084	1 666 242

Riga, 24 February 2016



S. Berga
Chairman of the Board



I. Rullis
Member of the Board



I. Pāže
Member of the Board



A. Čirva
Member of the Board

LIMITED LIABILITY COMPANY "LDZ RITOŠĀ SASTĀVA SERVISS"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	1 163	243
SUBTOTAL I	1 163	243
II. Fixed assets		
1. Land plots, buildings, structure and perennial plantings	7 569 441	7 445 497
2. Long-term investments in leased fixed assets	100 844	11 956
3. Equipment and machinery	41 618 899	33 802 518
4. Other fixed assets and fixtures	798 489	615 686
5. Fixed assets under construction and construction in progress	4 767 231	456 578
6. Advances paid for fixed assets	1 670	3 570
SUBTOTAL II	54 856 574	42 335 805
III. Long-term financial investment		
1. Other securities and investments	249 714	249 714
SUBTOTAL III	249 714	249 714
1. SECTION TOTAL	55 107 451	42 585 762
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	17 502 547	11 213 059
2. Work in progress	198 300	109 575
3. Finished goods and goods for sale	4 560	739
4. Advance payments for goods	255	1 207 310
5. Working animals and productive animals	7	7
SUBTOTAL I	17 705 669	12 530 690
II. Accounts Receivable		
1. Trade receivables	775 125	1 071 168
2. Receivables from related undertakings	2 276 311.	4 830 067
3. Other receivables	368 263	34 897
4. Prepaid expenses	51 461	54 815
SUBTOTAL II	3 471 160	5 990 947
III. Cash	1 148 232	2 215 012.
SUBTOTAL III	1 148 232	2 215 012.
2. SECTION TOTAL	22 325 061	20 736 649
BALANCE SHEET	77 432 512	63 322 411

LIMITED LIABILITY COMPANY "LDZ RITOŠĀ SASTĀVA SERVISS"

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	29 351 905	29 351 905
2. Reserves: other reserves	3 661 049	3 661 049
3. Retained earnings b/f	8 811 658	7 145 416
4. Retained earnings: profit for the reporting year	47 084	1 666 242
1. SECTION TOTAL	41 871 696	41 824 612
2. PROVISIONS		
1. Other provisions	1 088 615	1 445 061
2. SECTION TOTAL	1 088 615	1 445 061
3. LIABILITIES		
I. Long-term liabilities		
1. Borrowings from credit institutions	162 500	2 112 500
2. Other borrowings	-	7 642
3. Deferred tax liabilities	1 074 242	659 138
SUBTOTAL I	1 236 742	2 779 280
II. Current liabilities		
1. Borrowings from credit institutions	1 950 000	1 950 000
2. Other borrowings	17 092 889	1 215 650
3. Trade payables	9 240 460	8 247 380
4. Amounts owed to related undertakings	417 269	420 245
5. Taxes and mandatory state social security contributions	3 459 403	4 385 215
6. Other payables	1 070 081	1 043 338
7. Deferred income	871	1 730
8. Accrued liabilities	4 486	9 900
SUBTOTAL II	33 235 459	17 273 458
3. SECTION TOTAL	34 472 201	20 052 738
BALANCE SHEET	77 432 512	63 322 411

Riga, 24 February 2016



S. Berga
Chairman of the Board



I. Rullis
Member of the Board



I. Pāže
Member of the Board



A. Čirva
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of "LDZ ritošā sastāva serviss Ltd.", without making any changes thereto. The audited financial statements are available from the finance Department of the Commercial Directorate of "LDZ ritošā sastāva serviss Ltd." Consequently, these condensed financial statements correspond to the overall financial statements.

LIMITED LIABILITY COMPANY "LDZ APSARDZE"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	7 291 637.	6 819 778
Cost of goods sold	6 612 258	6 245 224
Gross profit/loss	679 379	574 554
Administrative expenses	505 725	513 520
Other operating income	60 338	35 661
Overhead expenses	101 465	49 133
Other interest income and similar income	8	361
Profit before taxes	132 535	47 923
Corporate income tax	31 319	17 096
Profit after tax for the reporting period	101 216	30 827

Riga, 09 February 2016



A. Maculēvičs
Chairman of the Board



L. Baltiņa
Member of the Board

LIMITED LIABILITY COMPANY "LDZ APSARDZE"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Intangible Assets		
1. Concessions, patents, licences, trademarks and similar rights	30	48
SUBTOTAL I	30	48
II. Fixed assets		
1. Land plots, buildings, structure and perennial plantings	198 015	163 924
2. Long-term investments in leased fixed assets	5 361	6 010
3. Equipment and machinery	15 195	
4. Other fixed assets and fixtures	107 071	83 208
SUBTOTAL II	325 642	253 142
III. Long-term financial investment		
SUBTOTAL III		
1. SECTION TOTAL	325 672	253 190
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	67 171	78 102
5. Advance payments for goods	818	1 086
6. Working animals and productive animals	1	1
SUBTOTAL I	67 990	79 189
II. Accounts Receivable		
1. Trade receivables	46 554	60 839
2. Receivables from related undertakings	997 615	775 608
3. Other receivables	8 849	4 770
4. Prepaid expenses	15 323	18 983
SUBTOTAL II	1 068 341	860 200
III. Cash	308 880	378 494
SUBTOTAL III	308 880	378 494
2. SECTION TOTAL	1 445 211	1 317 883
BALANCE SHEET	1 770 883	1 571 073

LIMITED LIABILITY COMPANY LDZ APSARDZE

BALANCE SHEET

(EUR)

EQUITY AND LIABILITIES	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	298 803	298 803
2. Reserves: other reserves	176 817	176 817
3. Retained earnings b/f	2 219	2 219
profit for the reporting year	101 216	30 827
1. SECTION TOTAL	579 055	508 666
2. PROVISIONS		
1. Other provisions	249 018	204 184
2. SECTION TOTAL	249 018	204 184
3. LIABILITIES		
II. Current liabilities		
3. Advances from customers	379	255
4. Trade payables	62 131	66 210
5. Amounts owed to related undertakings	34 003	34 091
6. Taxes and mandatory state social security contributions	476 700	469 080
7. Other payables	367 197	286 307
9. Accrued liabilities	2 400	2 280
SUBTOTAL II	942 810	858 223
3. SECTION TOTAL	942 810	858 223
BALANCE SHEET	1 770 883	1 571 073

Riga, 09 February 2016



A. Maculēvičs
Chairman of the Board



L. Baltiņa
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015 has been prepared based on the respective information of the audited 2015 consolidated financial statements of "LDZ apsardze Ltd.", without making any changes thereto. Audited financial statements are available from the management of "LDZ apsardze Ltd." Consequently, these condensed financial statements correspond to the overall financial statements.

JOINT STOCK COMPANY "LATRAILNET"

INCOME STATEMENT

(PREPARED UNDER THE REVENUE-COST METHOD)

(EUR)

ITEM	2015	2014
Net sales	1 197 877	1 177 925
Cost of goods sold	(483 372)	(478 310)
Gross profit	714 505	699 615
Administrative expenses	(676 521)	(659 512)
Other operating income	1 200	9 088
Overhead expenses	(17 459)	(16 318)
Other interest income and similar income	-	59
Profit before taxes	21 725	32 932
Corporate income tax	(8 994)	(8 805)
Profit after tax for the reporting period	12 731	24 127

Riga, 26 February 2016



Ainis Stürmanis
Chairman of the Board



Guntars Lapiņš
Member of the Board

JOINT STOCK COMPANY "LATRAILNET"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. LONG-TERM INVESTMENTS		
I. Fixed assets		
1. Long-term investments in leased fixed assets	11 709	20 490
2. Equipment and machinery	84	-
3. Other fixed assets and fixtures	20 675	20 573
SUBTOTAL I	32 468	41 063
1. SECTION TOTAL	32 468	41 063
2. CURRENT ASSETS		
I. Inventories		
1. Raw materials, basic materials and consumables	1 763	2 181
2. Advance payments for goods and services	9 712	9 471
SUBTOTAL I	11 475	11 652
II. Accounts Receivable		
1. Other receivables	3 547	1 752
2. Prepaid expenses	1 656	1 621
SUBTOTAL II	5 203	3 373
III. Cash	226 879	176 937
SUBTOTAL III	226 879	176 937
2. SECTION TOTAL	243 557	191 962
BALANCE SHEET	276 025	233 025

JOINT STOCK COMPANY "LATRAILNET"

BALANCE SHEET

(EUR)

ASSETS	AT 31.12.2015	AT 31.12.2014
1. EQUITY		
1. Share capital (equity capital)	35 571	35 571
2. Other reserves	5 416	5 416
3. Retained earnings b/f	28 333	4 206
4. Profit for the reporting year	12 731	24 127
1. SECTION TOTAL	82 051	69 320
2. PROVISIONS		
1. Other provisions	27 663	21 306
2. SECTION TOTAL	27 663	21 306
3. LIABILITIES		
I. Current liabilities		
1. Trade payables	15 329	2 863
2. Amounts owed to related undertakings	7 563	8 413
3. Taxes and mandatory state social security contributions	81 826	76 191
4. Other payables	57 993	51 332
5. Accrued liabilities	3 600	3 600
SUBTOTAL I	166 311	142 399
3. SECTION TOTAL	166 311	142 399
BALANCE SHEET	276 025	233 025

Riga, 26 February 2016



Ainis Stürmanis
Chairman of the Board



Guntars Lapiņš
Member of the Board

ANNEX

Basis of preparation of the condensed financial statements.

These condensed financial statements, consisting of the balance sheet as at 31 December 2015, an income statement for the reporting year ended on 31 December 2015, have been prepared based on the respective information of the audited 2015 consolidated financial statements of JSC "LatRailNet", without making any changes thereto. Audited financial statements are available at JSC "LatRailNet". Consequently, these condensed financial statements correspond to the overall financial statements.

PERFORMANCE RESULTS

The financial year of the SJSC "Latvijas dzelzceļš" ended with positive results contrary to cautious forecasts at the beginning of 2015.

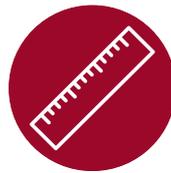
Although freight volume slightly decreased like in the other Baltic states, the Company implemented a number of important investment projects with the aid of the European Union Cohesion Fund in 2015 that **have increased the balance of the fixed assets by more than 116 million euros** and will allow the attraction of additional freight volumes in the future thanks to more advanced and integrated infrastructure, as well.

INFRASTRUCTURE MANAGED BY "LATVIJAS DZELZCEĻŠ"



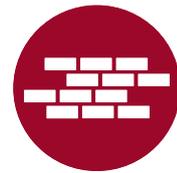
152

stations



1859 km

total operating length of railway lines, including



3377

buildings and structures



1826 km

total length of 1520 mm gauge railway line



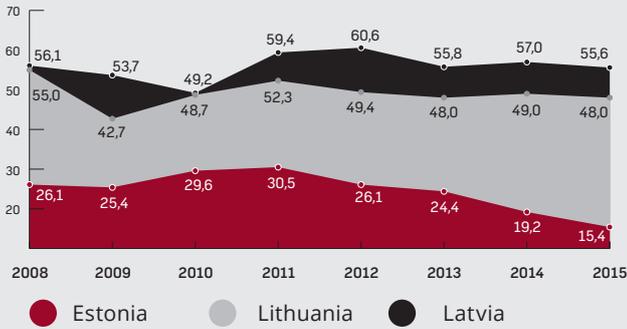
248 km

of electrified railway lines

Railway transportation volumes decreased only slightly last year despite cautious forecasts in the beginning of 2015. A similar trend is observed in the other Baltic States.

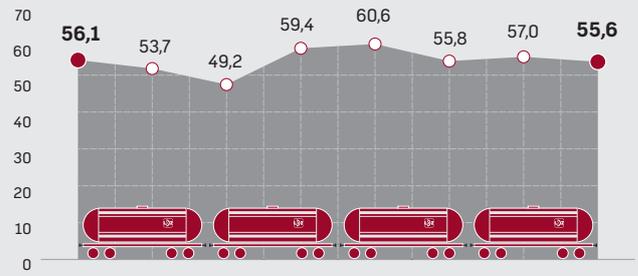
TRANSPORTATION VOLUMES

Railway freight volumes in the Baltic states 2008 – 2014 (Million tonnes)



TRANSPORTATION VOLUMES

Freight volumes by means of "Latvijas dzelzceļš" infrastructure (Million tonnes)



NOMENCLATURE OF TRANSPORTED FREIGHT IN 2015



21.8 mil. t

oil and oil products



19.1 mil. t

coal cargo



3.8 mil. t

Fertilisers



3.4 mil. t

Other cargo



1.8 mil. t

Grain & farinaceous products



1.8 mil. t

Chemicals



1.5 mil. t

Timber



1.1 mil. t

Minerals



0.1 mil. t

Sugar



1.3 mil. t

Ferrous metals

PASSENGER TRAFFIC IN 2015 17.1 MILLION PASSENGERS



16.9 mil.

Domestic passenger traffic



0.2 mil.

International passenger traffic

FINANCIAL INDICATORS

Group's turnover

420.2 mil. EUR



SJSC "LATVIJAS DZELZCEĻŠ"
turnover

217.8 mil. EUR



SJSC "LATVIJAS DZELZCEĻŠ"
revenue

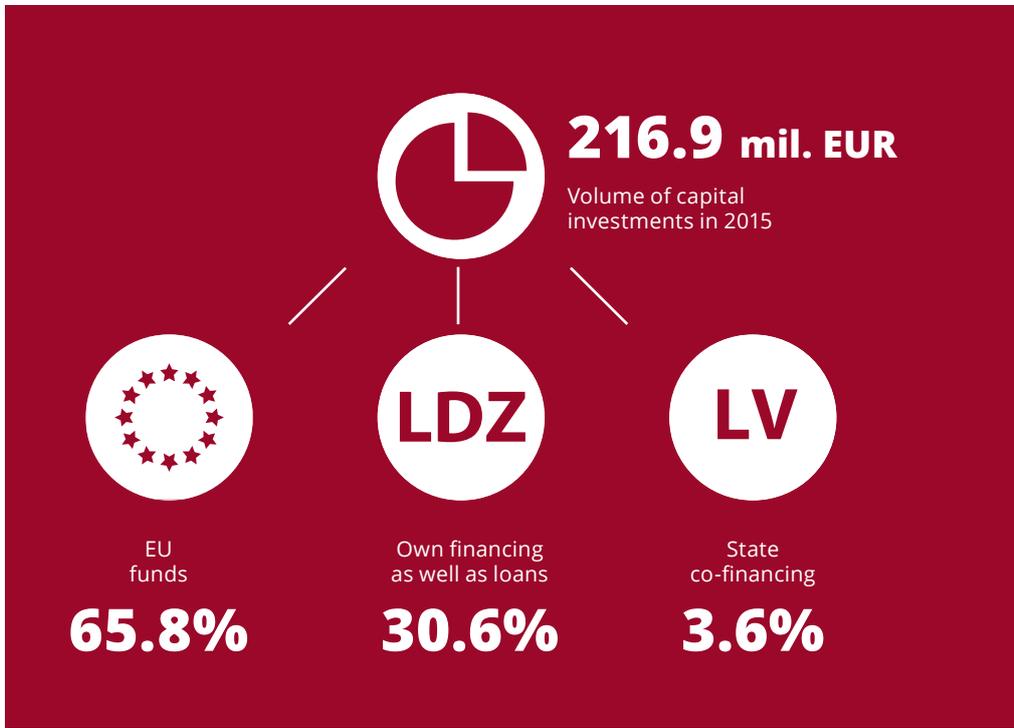
2.1 mil. EUR

FINANCIAL INDICATORS OF SJSC "LATVIJAS DZELZCEĻŠ" IN 2015

The year 2015 is remarkable for SJSC "Latvijas dzelzceļš" operations because of a number of significant projects implemented that increase the competitiveness of the Latvian transport and logistics industry. Among them, major capital investments ever have been made that lead to a significant increase in the total amount of fixed assets.

Total amount of fixed assets has increased by 116 million EUR within a year thanks to capital investments made.

SJSC "Latvijas dzelzceļš" long-term liabilities are 161.5 million EUR, but the short-term liabilities are 24.8 million EUR.



IMPACT ON THE NATIONAL ECONOMY

“Latvijas dzelzceļš” Group is the largest employer in Latvian and one of the largest taxpayers. The taxes paid by the Group per annum almost equal half of total government spending on family and children’s aid.

STATE MANDATORY INSURANCE CONTRIBUTION (SOCIAL TAX)	52.5 million EUR
CORPORATE INCOME TAX	1.6 million EUR
PERSONAL INCOME TAX	27.9 million EUR
EXCISE TAX	18.1 million EUR
OTHER TAXES	0.8 million EUR



Number of employees in the Group in 2015

12 259 or 1.38%

of employed persons in the State



Latvijas dzelzceļš total tax contributions in 2015

100.9 mil. EUR



Average salary in the Group

1117.8 EUR

INFRASTRUCTURE

“Latvijas dzelzceļš” infrastructure includes railway lines with an operating length of more than 1,800 km, but the extended length exceeds 3,000 km, together with more than 3,000 real estate objects (railway partition zones, stations, depots, maintenance facilities, etc.) all over Latvia.



Total area

15,159

hectares



In 2015 surveyed **703 ha**
of land or 5% of all land units



984 land units

of railway partition zones have been administered



59% of the total area has been surveyed or 68% of total partition zones where railway is still operating

REAL ESTATE MANAGEMENT

“Latvijas dzelzceļš” administered **3,377 buildings and structures** in 2015: 1,977 buildings (stations, depots, service and maintenance facilities, etc.) and 1,400 structures (sheds, platforms, ramps, scaffold bridges, water handling facilities, etc.), together with a number of smaller buildings, sites and utilities.

“Latvijas dzelzceļš” has been continuing the cadastral survey of partition zones of the State railway infrastructure and title registration of surveyed land under the State ownership in the name of Ministry of Transport at the State Land Register Office in 2015.

INVESTMENTS IN REAL ESTATE

73 investment projects comprising 3.85 million euros in total were implemented in railway property in 2015 according to the strategic goals and objectives of “Latvijas dzelzceļš” Group.

MAJOR CONSTRUCTION WORKS IN 2015:

- Renovation of station buildings (Majori, Rīga, Koknese, Ludza, Nerza, Naujene, Iecava, Meitene stations);
- Renovation of technological railway facilities (Marshalling yard, Cēsis, Valmiera, Pureņi, Jelgava, etc.);
- Construction of 550 millimetre-platforms on Ikšķile Station;
- Overhaul of water supply facilities and sewerage network (Railway yard, Marshalling yard, Liepāja, Saldus, etc.);
- Renovation of Ventspils railway station building;
- Equipping Jelgava railway bridge with decorative lighting;
- Installation of five modules for railway staff needs (security, warehouse, workers' facilities, etc.) at Garkalne, Rīga, Ventspils and Daugavpils;
- Installation of more than 60 air conditioning units at data centres, server rooms, relay rooms, offices;
- Alteration and transition to more economical heating systems in three facilities in Ventspils;
- Connection of eight facilities to the central water supply and sewerage network in Rīga, Ventspils, Saldus and Jelgava;
- Additional measures for successful implementation of the European Union Cohesion Fund project for modernisation of railway passenger infrastructure (relocation of the former Vaivari railway station building, renovation of the platform at Jelgava Station, connection of stations Imanta, Asari, Babīte, Melluži, Vaivari, Pumpuri to water supply and sewerage facilities, as well as renovation of the Olaine railway station heating system).



Fire detection and alarm systems at

97 facilities



CCTV systems at

16 facilities



Technical security systems at

104 facilities



Access control systems at

1 facility

According to the running repair list, 58 sites have been repaired for 1.09 million euros in total, and 16 deteriorated buildings and structures have been demolished for 151,000 euros in total in 2015.



*Modernised passenger platform
at the Majori station*

STAKEHOLDER INVOLVEMENT

Cooperation with the Association of Disabled Persons and Their Friends "Apeirons" was an integral part of the infrastructure projects in 2015. "Latvijas dzelzceļš" considered the expertise of "Apeirons" on environmental accessibility matters during the reconstruction of 16 passenger platforms and stations on Jelgava and Jūrmala connections. Thus, the re-opened railway stations and platforms are easily accessible to physically disabled or visually impaired persons, as well as to parents with prams, and other persons with reduced mobility or other impairment.

The development of a purposeful long-term partnership with the Latvian municipalities on the common drawing up of clear rules for the installation and supervision of railway crossings can be considered as one of the most important tasks for 2016.

Although the statistics of accidents related to the railways have decreased significantly in recent years, around 30-35 people on average still suffer in such accidents in Latvia, including about 20 fatal cases per year.

Therefore, "Latvijas dzelzceļš" in cooperation with local governments, plans to rebuild and fit at least 50% of level crossings under its responsibility to meet technical requirements by 2030, as well as gradually eliminate illegal crossings for safety reasons. Under the cooperation framework, it is planned, along with local municipalities, to find a suitable place for safe railway level crossing for both pedestrians and cyclists, and gradually arrange at least one safe crossing at the area of each stop or station of each city or town.

Considering the experience of the Jūrmala and Jelgava platform renovation project, "Latvijas dzelzceļš", in cooperation with The Ministry of Environmental Protection and Regional Development and the Latvian Association of Local and Regional Governments, is going to obtain the active involvement of local municipalities because it is important to install not only the railway level crossings themselves, but also the arrangement of safe and accessible paths to it as well.

RAILWAY INFRASTRUCTURE REPAIR WORKS

Various works of infrastructure maintenance, train traffic safety upgrading and quality enhancements of the provided services were made in 2015, apart from the railway infrastructure projects implemented by European Union fund co-financing.

Similarly, a heavy type railcar MPT-6 and railway vacuum ballast loader Compelvac was put into operation last year. Thanks to the latter, contaminated ballast can be removed from the railroad mechanically now. Previously, it could be done manually only, which demanded a large number of railway workers.

It is planned to carry on reconstruction works of railroad, civil engineering structures and level crossings, as well as to buy another heavy type railcar MPT-6 within the framework of the budget for 2016.



47.3 km
of fully renovated
railway tracks



42
engineering
structures



7
level crossings



41.2 km
of railway tracks renovated
at the span Sigulda-Valka-
border with Estonia



34,000
timber sleepers replaced
with concrete sleepers

COMPLETED PROJECTS

Acknowledging the general role of SJS "Latvijas dzelzceļš" in the transit industry of Latvian economics, it has always paid close attention to the financial stability of the Company and meeting the competitiveness requirements of the railway infrastructure.



Modernisation of Railway Passenger infrastructure



Bolderāja 2 Station with Railway Tracks Linking It to Terminals at Krievu Island



Modernisation of the main data transmission network



Replacement of Railway Switches - Delivery of Switches



Reconstruction of Railway Tracks



Reconstruction of marshalling yard at Šķirotava



Construction of the Second Railway Track at Skrīveri-Krustpils Connection



Modernisation of Centralisation of the Šķirotava Station



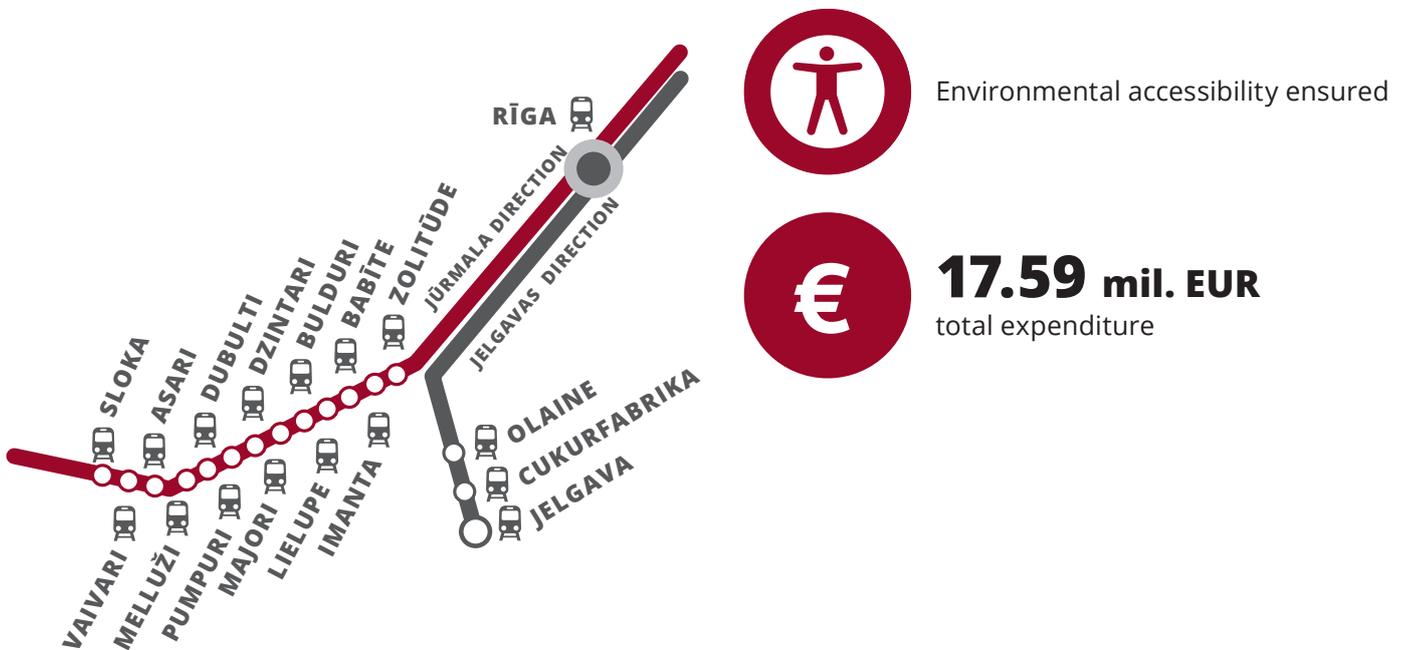
Upgrade of Liepāja Station Signalling System Along with Reconstruction of the Railway Track

MODERNISATION OF RAILWAY PASSENGER INFRASTRUCTURE

SJSC “Latvijas dzelzceļš” completed the project at the end of 2015 aiming to improve the quality and efficiency of the railway passenger service within Riga and the suburban area by integrated modernisation of the public railway infrastructure at 16 stations, ensuring the sustainability of the railway operations in the public transport system of Riga City and the suburban area while reducing environmental pollution.

The core of the project was the construction of elevated passenger platforms, as well as the installation of information and safety systems in Asari, Babīte, Bulduri, Cukurfabrika, Dubulti, Dzintari, Imanta, Jelgava, Lielupe, Majori, Mēlūži, Olaine, Pumpuri, Sloka, Vaivari and Zolitūde stations. The project framework included engineering, construction, design and installation of IT and CCTV systems, as well as supervision.

Modernisation of the railway passenger infrastructure will provide a safe and convenient service to all categories of passengers, including disabled persons, on passenger platforms and station buildings, as well as access to the facilities of the passenger infrastructure and safe train traffic within the stations. “Latvijas dzelzceļš” had active cooperation with the Association of Disabled Persons and Their Friends “Apeirons” whose experts were advising on environmental accessibility matters and proposed practical solutions for making the public railway infrastructure accessible and easy to use.



BOLDERĀJA 2 STATION WITH RAILWAY TRACKS LINKING IT TO TERMINALS AT KRIEVU ISLAND

SJSC "Latvijas dzelzceļš" opened a new railway station Bolderāja 2 in Riga on the left bank of the Daugava river at the end of 2015, with railway tracks linking it to terminals at Krievu Island that will gradually redirect the cargo flow from the city centre to Krievu Island. The project gained first prize in the competition "The Latvian Construction Award 2015" in the nomination "New Engineering Structure".



9 railway tracks,
8.5 km in length



2.68 km
of linking
railway track



Bridge for 8 railway
tracks and bridge for
internal service road
inside territory



41 mil. EUR
total expenditure
(30 mil. euro of EU CF;
11 mil. euro – LDz)



22
turnouts



2
culverts



Railway overpass over
Daugavgrīva motorway



Bridge over
the Beķera moat

"Latvijas dzelzceļš" implemented this project considering the urban development plan of Riga, which anticipates the transfer of the port closer to the sea and expansion of the inner city, as well as construction of a new port terminal on the left bank of the Daugava river and development of the railway infrastructure, linking the new terminals to the railway network.

The construction was carried out by the partnership "BMGS S", while the management of the construction contract and supervision was entrusted to the partnership "SYSTRA – L4 Bolderāja 2".

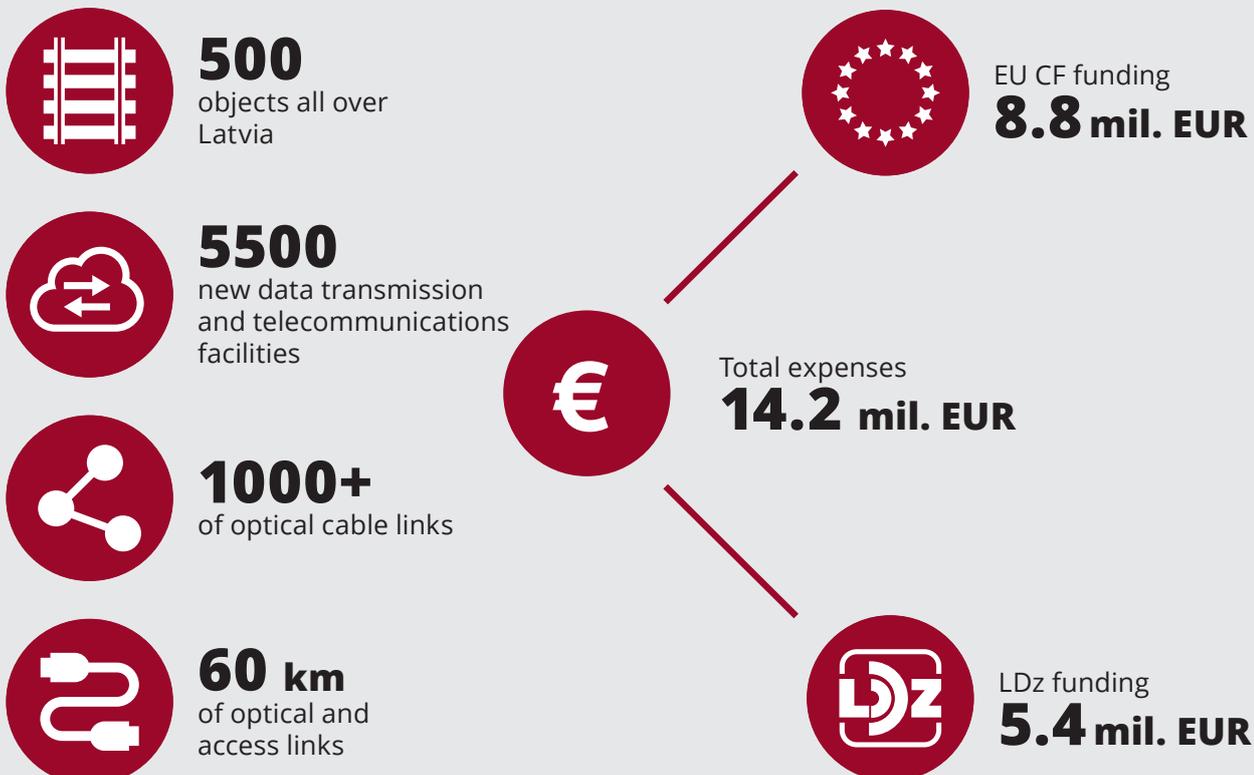
MODERNISATION OF THE MAIN DATA TRANSMISSION NETWORK

SJSC "Latvijas dzelzceļš" built the most advanced state of the art data transmission network in Latvia within the framework of the project completed at the end of 2015. It is major upgrade of IT systems in the history of "Latvijas dzelzceļš". Implementation of the project will provide data transmission infrastructure for further development of an integrated transport system with increased traffic safety, and is going to facilitate volumes of transported cargo.

The main data transmission network was built using optical fibre cable infrastructure during the project. For providing a data transmission rate of 10 Gbit / s and the automatic network emergency switchover to backup routes, the required equipment was installed in the central railway junctions and stations.

LAN of railway stations and administrative buildings were renovated and created to ensure connection to the corporate data network. A single management and monitoring solution was built. Phones and radio communications of traffic controllers are integrated into a single network, establishing centralised management. Modernisation of the main data transmission network ensures the technological platform for ERTMS (GSM-R) implementation for the future, if necessary.

The works were carried out by the partnership "SMN-Belam-Fima", while the management of the contract and supervision was performed by "Fabrum Ltd."



REPLACEMENT OF RAILWAY SWITCHES – DELIVERY OF SWITCHES

At the end of 2015 SJSC “Latvijas dzelzceļš” completed the large scale project “Replacement of railway switches* – delivery of switches” co-financed by the European Union Cohesion Fund. The project aims to ensure and enhance the carrying capability of the railway tracks on the “Rail Baltica” East – West corridors.



Replaced

213

switches of various types



Total expenses

16.2 mil. EUR



EU CF co-financing

13.5 mil. EUR

Timely replacement of rails and essential components – switches, the operation and durability of which determine the safety and speed of train traffic, is of vital importance for the infrastructure of such significant workloads like they are in the Latvian railway, with intensive traffic of heavy and long trains. Attraction of EU funds enabled “Latvijas dzelzceļš” to significantly reduce the maintenance costs of switches.

The switches have been supplied by the company Voestalpine “VAE Riga”, whereas construction works were carried out by “LDz Infrastruktūra”, a subsidiary company of “Latvijas dzelzceļš”.

**Railway switch is a structure which enables railway trains or other forms of railway rolling stock to be guided from one track to another. The railway tracks are branching out, joining and crossing by means of switches.*

RECONSTRUCTION OF RAILWAY TRACKS

Within the framework of the project completed at the end of 2015, SJSC "Latvijas dzelzceļš" replaced deteriorated tracks of the East-West railway corridor, which caused serious speed limitations and created a bottleneck effect in many places that seriously hampered quick and efficient train traffic.

Both renovation of railway tracks within a range of more than 93.8 km, thereby improving the carrying capability of the East-West railway corridor, and railway level crossings, civil engineering infrastructure, and railway partition zones were put in order within the project framework. Reconstruction of railway tracks within a range of 12.35 km was performed within the project framework.



Total length of renovated railway tracks

93.8 km



45.3 mil. EUR

total expenses
(33.7 mil. euros EU CF;
11.6 mil. euros – LDZ)

Rails have been supplied by the "SIGMEN Ltd.", railway ballast has been supplied by "Ražošanas komercfirma M2 Ltd.", and prestressed concrete sleepers with a resilient rail fastening system have been supplied by the "TRACK TEC S.A". The construction was carried out by "LDz Infrastruktūra Ltd."

RECONSTRUCTION OF RAILWAY TRACKS WITHIN THE RAIL BALTICA CORRIDOR

SJSC "Latvijas dzelzceļš" completed the project at the end of 2015

- 1) Renovation / Modernisation: Nordic cross-border span Valmiera - Valka and South cross-border span Jelgava – border with the Republic of Lithuania;
- 2) Renovation / Modernisation: Sigulda - Valmiera.

The project has been implemented with the aim to ensure a planned speed of 80 km / h of freight trains and 120 km / h of passenger trains.



State funding
33.41
mil. EUR

+



LDz funding
9.44
mil. EUR

+

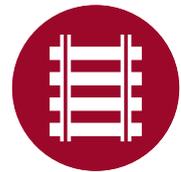


TEN-T funding
10,07
mil. EUR

=



Total expenses
52.92
mil. EUR



Total length of renovated railway tracks
152.35 km

Rails have been supplied by the "SIGMEN Ltd.", railway ballast has been supplied by "Ražošanas komercfirma M2 Ltd.", and prestressed concrete sleepers with a resilient rail fastening system have been supplied by the "TRACK TEC S.A." The construction was carried out by "LDz Infrastruktūra Ltd."

MODERNISATION OF CENTRALISATION OF THE ŠĶIROTAVA STATION

Within the framework of the Šķirotava Station modernisation, the yards A, B, J, and C were equipped with a centralised and integrated computer-controlled interlocking system with remotely controlled switches, traffic lights, level crossing alarms.



Installed alarm system



Automatization of offices for persons on duty and service staff



Total expenses

42 mil. EUR
(35.7 mil. euros – EU CF co-financing)

Modernisation of the Šķirotava Station would allow the carrying capability of the Riga railway junction to be increased and thus is going to meet the potentially growing demand in freight transportation. Upon the implementation of a number of major investment projects, "Latvijas dzelzceļš" is able to provide all of the necessary infrastructure for logistics services in the Riga railway junction now, which includes both the streamlined Marshalling Yard at Šķirotava, and the new station on the left bank of the Daugava river, close to the Krievu Island, as well as the expected construction of a new port terminal on the right bank of the Daugava river at Kundziņsala.

RECONSTRUCTION OF MARSHALLING YARD AT ŠĶIROTAVA

SJSC "Latvijas dzelzceļš" completed the reconstruction project of the marshalling yard at Šķirotava Station at the end of 2015 with the aim to ensure an increase of wagon handling capacity.

Within the framework of the project, the centralised microprocessor controlled interlocking system of the marshalling yard has been implemented for automatic control of marshalling and manoeuvre works, and automatic wagon cruising control.

Within the framework of the project the power supply system, telecommunication systems, lighting, air jets for cleaning the railway retarder from snow have been upgraded, and new offices for the troubleshooting engineer and yardmaster have been installed, as well as new retarding equipment, electrical system of automatic snow removal from switches, as well as the wagon weighing system, speed measuring devices, wheel detectors and railway track occupancy detectors have been installed. Old railway tracks and switches have been reconstructed in places where the condition of them did not comply with the technical and operational requirements, as well as railway tracks of arrival yards have been put in order.

Construction has been performed by JSC "BMGS", with the management of the construction contract and construction supervision performed by "Witteveen+Bos Latvia Ltd."



Links to all Riga ports



5,000 m
of new railway tracks



Marshalling capability
3,500
wagons per 24h



30 hydraulic wagon
slow-downs installed



Reduced
noise level



40.33 mil. EUR
total expenses

CONSTRUCTION OF THE SECOND RAILWAY TRACK AT SKRĪVERI-KRUSTPILS CONNECTION

SJSC "Latvijas dzelzceļš" opened the second railway track on the Skrīveri-Krustpils span at the beginning of 2015, built within the framework of the most ambitious project hitherto, which will increase the carrying capability, traffic speed and safety on the direction from Krustpils to Rīga considerably.

The constructed railway infrastructure includes new railway tracks within a range of 61.45 km, construction of 39 culverts and small bridges, new bridges over the Pērse and Aiviekste rivers, renovation of stations and stops, reconstruction of 15 level crossings, construction of 550 mm high platforms, installation of new signalling and streamlined communications and power supply systems.

The project's objective is to ensure double track railway all over the Rīga-Krustpils connection, thereby increasing the carrying capability of the East - West railway corridor in Latvia and preventing rail traffic delays.

Project "Construction of the second railway track at Skrīveri-Krustpils connection (Rīga-Krustpils connection)" cost 107.41 million euros, of which the share co-financed by the European Union Cohesion Fund is 62.16 million euros.



61.45 km

of railway tracks



2

new bridges



39

reconstructions of
culverts and small
bridges



15

reconstructions
of level crossings



installed alarm,
telecommunications,
and power supply
infrastructure



capital investments
of more than
100 mil. EUR

The project was made even more complex as construction of the second railway track was performed at an area of operating railway infrastructure alongside the other tracks and without interrupting the operation of the stations.

During the construction of the second railway track, 550 mm high passenger platforms, new lighting systems and path ramps for disabled persons have been built at Aizkraukle, Koknese, Pļaviņas, Krustpils stations and at Muldakmens, Alotene and Ozolsala stops.

For the construction of signalling, telecommunications and power supply systems contemporary technical solutions and equipment were used. The former centralised electrical relay interlocking system, which was built in the sixties of the last century, has been replaced with contemporary centralised microprocessor controlled facilities MPC EBilock 950 R4.

In order to reduce the noise pollution at the secondary school of Pļaviņas Municipality, upon the request of the local government, 180 m long and 3.7 m high aluminium noise reduction panels were installed on the railway partition zone in front of the sports ground.

Unexpected situations also occurred during construction: a number of explosive items from war times as well as consequences of a railway accident of the previous century were revealed during earth-moving works.

Construction has been carried out by the joint partnership "Skonto Būve", "BMGS", "ACB un Binders", while the management of the construction contract and supervision – by the partnership "Dzelzceļa inženieri".



Riga – Daugavpils is the second major railway line built by Tsarist Russia after the railway line Moscow – St. Petersburg.

The fact that the line was originally (1858 – 1861) built as double track railway over its entire length indicates the importance of this line. The requirement that trunk lines have to be double track railways was effective for all railways initially constructed in Tsarist Russia.

The span between Ogre and Krustpils of this railway was in the immediate vicinity of the battle-front during World War I and it was constantly bombarded by German army artillery from the left bank of the Daugava river for a two-year long period. Not only did the station building suffer, but also the entire railway infrastructure, whereas the new government of independent Latvia was only able to restore one track, sacrificing the other one partly destroyed during the war.

Despite the substantial growth in the volume of transportation since 1941, the second railway track between Šķīrotava and Krustpils was not renewed during World War II, nor in the post war period.

The second railway track was only rebuilt up to Ogre in 1953 because of suburban passenger traffic growth and planned railway electrification of the Krustpils connection, but after several years – up to Skrīveri. Unfortunately, due to a lack of funds, these works were not resumed until today when it was possible to complete this project by restoring the second track over the span Skrīveri-Krustpils, thanks to co-financing of the European Union Cohesion Fund.

UPGRADE OF LIEPAJA STATION SIGNALLING SYSTEM ALONG WITH RECONSTRUCTION OF THE RAILWAY TRACK

On the implementation of the 24.4 million euro worth project in Liepaja, co-financed by the European Union Cohesion Fund, SJSC "Latvijas dzelzceļš" reconstructed and upgraded the Liepaja station signalling system, reconstructed railway tracks and performed other works.

The project won first prize in the competition "The Latvian Construction Award 2015" in the nomination "Reconstruction of Engineering Structure".



CCTV installed



Reconstructed railway tracks of stations
3,800 m in length



Installed new alarm system of level crossings



Reconstructed transformer substations



18 new turnouts
6 moved turnouts



123
new traffic lights



More than
150 new cables and alarm system cables installed at sewage system



Installed traffic monitoring system in Riga

After implementation of the project, configuration, signalling system, including the power supply and telecommunications system, as well as premises of the station meet the requirements of contemporary railway transport infrastructure. After implementation of the project, state of the art and high-quality infrastructure has been developed at Liepaja railway junction, which would enable the carrying capability of the Liepaja station connection to be increased.

FUTURE PROJECTS

Subject to the strategy 2016-2020 of "Latvijas dzelzceļš", the implementation of European Union fund co-financed investment projects for more than 500 million euros are planned in the nearest future, thereby further improving the railway infrastructure for both freight and passenger transportation.

PROJECTS	MILLION EUR	INCL. MILLION EUR 2016 - 2020
Electrification of East-West railway corridor and greater Riga passenger lines` network with 25 kV AC	465	345
Implementation of centralised train traffic planning and control system, construction of operation control centre	29.3	29.3
Modernisation of Riga and Daugavpils railway nodes	105.4	104.6
Modernisation of rail passenger service infrastructure (phase 2)	28.2	28.2
Construction of station Riga – Port with connecting line to Kundziņsala	38,560	26,256
Total	~ 638.5	~ 517.7
Incl. LDz additional resources for EU co-funding		~ 153.6

President of SJSC "Latvijas dzelzceļš" Edvīns Bērziņš highlights that the Latvian railway infrastructure is in a very good condition now due to the investments made in recent years. However, there are still improvements that shall be made to strengthen the global competitiveness of "Latvijas dzelzceļš" and improve the passenger experience. Likewise, although the railway is already the most environmentally friendly means of transport, there are obligations imposed by the European Union climate change agreement, which inter alia anticipates more extensive railway electrification, therefore gradually reducing CO₂ emissions.

E. Bērziņš emphasises the important role of the multi-annual contract between the State and manager of public infrastructure SJSC "Latvijas dzelzceļš" for further infrastructure modernisation projects, especially after the expiry of the European Union funding period.

CORPORATE SOCIAL RESPONSIBILITY

For “Latvijas dzelzceļš”, which employs more than 12 000 people, contributes more than 100 million euros to the State budget annually, transports more than 55 million tonnes of cargo and 17 million passengers per year over the railways of Latvia, and implements infrastructure improvement projects worth millions of euros, consideration of socially responsible practices in every area is the only truly sustainable development model.



100

mil. of contributed tax



55

million tonnes of freight



12 000

employees



17

mil. passengers per annum



325

mil. euros worth upgrade of infrastructure

Although any scope of the Group activities is based on the sustainable development idea framework, “Latvijas dzelzceļš” has defined four key segments of corporate social responsibility (CSR):



Business environment



Employees



Society



Environment

Planning and integrated co-ordination of CSR activities is executed by the CSR Committee established in 2014, which is meeting regularly to review the progress of the CSR scope and to identify further targets.

THE MAIN CSR OBJECTIVES SET FOR 2016:

- Active participation in implementing good corporate governance in Latvia (including involvement in the activities of the Baltic Institute of Corporate Governance and exchange of best practice);
- More extensive introduction and implementation of the Code of Conduct and Anti-fraud policy;
- More active involvement in the partners' and suppliers' education (guest lectures, workshops, etc.);
- Consistent implementation of energy efficiency solutions in both the working environment and entire scope of the Company's activities;
- Addressing new railway safety target groups, involvement of municipalities in the solution of safety matters;
- Starting reporting according to the G4 guidelines of GRI reporting in 2017.

SUSTAINABILITY INDEX

To determine the role and effectiveness of the performed CSR activities in the four segments, "Latvijas dzelzceļš" uses the Sustainability Index assessment tool created by the Institute of Corporate Sustainability and Responsibility and has reached the Silver category for several years in a row.

Institute of Corporate Sustainability and Responsibility also conducted a study on the TOP500 Latvian companies and their corporate transparency in 2015 (which is regarded as one of the key indicators for good corporate governance). "Latvijas dzelzceļš" was ranked among the most transparent Latvian companies.

53,8%

**Transparency level
of an average TOP500
company**

92,9%

LDz transparency level

BUSINESS ENVIRONMENT

For the “Latvijas Dzelzceļš” Group, the largest employer in the country and a company with a significant impact on the economy, it is crucial to operate in a foreseeable and transparent business environment, based on mutual cooperation. To achieve this, the Group is actively involved in the activities of business associations, as well as it studies the experience of the partners and implements improvements in “Latvijas dzelzceļš” operations.

In 2015 “Latvijas dzelzceļš” carried out an in-depth partner and client survey for the first time. In general, respondents had a positive attitude towards “Latvijas dzelzceļš”, criticising the sometimes excessive bureaucracy, while admitting that the maintained order is crucial for partners too.



Most respondents also appreciated changes in “Latvijas dzelzceļš” operations during the recent years, transparency to the public and including partners, as well as increased flexibility and efficiency.

For the implementation of good corporate governance not only in the Company’s and Group’s strategies, but also in the activities of every employee, the Code of Ethical Conduct was launched in 2015.

It is introduced to all employees of the Group, the Code of Ethical Conduct is available both publicly on the website of Latvijas dzelzceļš and internally on intranet, as well as every new employee is specifically introduced to it.

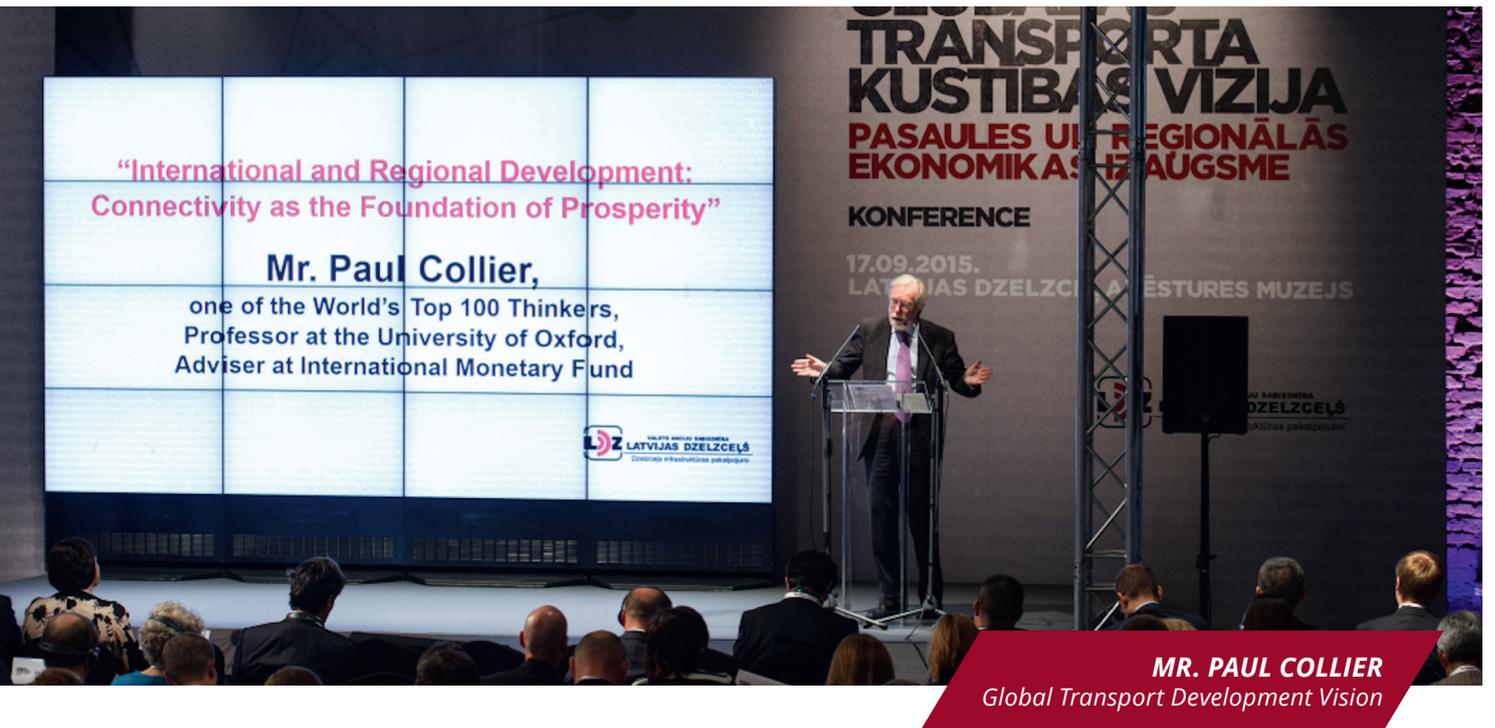
In order to ensure the determined position of the railway sector in the national economy in general,



“Latvijas dzelzceļš” participates actively in two major business organisations – Employers’ Confederation of Latvia and the Latvian Chamber of Commerce and Industry.

The company’s management have been elected to the Boards of both organisations in 2015, thus giving the opportunity for regular debate about the most important matters of the business environment in Latvia, as well as engaging in co-operation of international formats (for instance, Vice-President of “Latvijas dzelzceļš” Aivars Strakšas chairs the Latvia-Belarus and Latvia-Kazakhstan Business Cooperation Councils established by the Employers’ Confederation of Latvia within the framework of the bilateral Business Cooperation Councils).

“Latvijas dzelzceļš” took part in a number of arrangements promoting good corporate governance – including Responsible Business Week events held in May and the Annual Employers’ Confederation Award held in November, thus reaching an audience of at least 800 representatives from state institutions, public organisations, and entities in 2015.



MR. PAUL COLLIER
Global Transport Development Vision

INTERNATIONAL CONFERENCE "GLOBAL TRANSPORT DEVELOPMENT VISION"

To reinforce the leading role of "Latvijas dzelzceļš" in the transport industry, its contribution to the national economy and to provide an opportunity for the broader business community to gain an insight into and engage in debates about the industry topics, in September 2015 the company organised an international conference on global transport development vision for the second time.



300

participants



94%

positive
feedback



2,000

online
viewers

Professor of Oxford University, advisor of the International Monetary Fund and one of the World's TOP100 thinkers Sir Paul Collier gave a lecture at the conference Global Transport Development Vision. The conference was attended by around 300 participants, while about 2,000 interested parties were streaming online.

EMPLOYEES

The "Latvijas dzelzceļš" Group employs more than 12,000 people, therefore personnel policies and the work environment is one of the most important areas in the scope of the Group's corporate social responsibility.

At the end of 2015 the annual "Latvijas dzelzceļš" employee satisfaction survey has been carried out, and it showed that most of the employees are proud to be working at the Group.



90%

proud of being an LDZ employee



97%

considers LDZ a socially responsible company



76%

trust decisions of the management

In order to promote professional growth and the development of leadership skills, the Executive Development Programme was continued in 2015, with 16 company employees having the opportunity of learning personnel management, financial management, legal framework of labour relations, change management and other key areas under the guidance of both in-house experts and guest lecturers.

For the promotion of efficient generation change in the company without losing the expertise and experience of senior colleagues, the first Senior Programme was held in 2015, which encompassed the retirement of 20 highly skilled elderly workers and experience being passed on to younger colleagues.



173

new employees



20

participants of Senior Programme



16

graduates of Executive Development Programme

"Latvijas dzelzceļš" has been also actively engaged in employee health promotion activities in 2015 through both regulatory instruments and positive incentives. In order to limit smoking and reduce the likelihood of passive smoking in particular, the smoking areas set up inside the Directorate-General of "Latvijas dzelzceļš" at 3 Gogoļa St. have been eliminated in 2015.

Meanwhile, by means of the weekly magazine "Latvijas dzelzceļnieks" (Latvian railwayman), the employees were provided with extensive information on current trends in healthy lifestyle, exercises for office workers, necessary vitamins during influenza and the respiratory virus season.

With the assistance of the sports club *Lokomotive*, **competitions of cross-country skiing, ice fishing, table tennis, volleyball, chess, etc. were organised** in 2015 with more than 1,200 Group employees and their families participating in those. On top of the professional and amateur sports activities, both the Sports festival in Summer and the Winter contest in the beginning of the year were also held in 2015.

SOCIETY

Activities of "Latvijas dzelzceļš" are closely related to Latvian society – more than 12,000 residents of Latvia are employed by the Group, thousands of people are using railway infrastructure daily, the railway is an integral part of everyday life for many residents of cities and municipalities of Latvia.

Therefore, it is not surprising that cooperation with the various communities and contribution to society has been set as one of the priorities in the scope of the company's Social Responsibility.

One of the most important activities in 2015 considering both railway infrastructure improvements and involvement of the community in Group operation, has been the involvement of the Association of Disabled Persons and Their Friends "Apeirons" and the Latvian Society of the Blind People in the planning process of passenger infrastructure improvement (elevated platforms on the Jurmala and Jelgava connections, particular improvements at the Rīga Central Railway Station).

At the same time "Latvijas dzelzceļš" has also provided support to the Association of Disabled Persons and Their Friends *Apeirons* on building the app on environmental accessibility *Mapeirons*, which aggregates personally verified information on more than 2,000 facilities accessible to everyone throughout the Latvia. Ten railway stations in various Latvian cities are among them and it is planned to gradually improve the accessibility in other stations in the future.

Upgrade of the Single Point Service Desk (VPPD) is considered among the important innovations of the recent years, providing support for both external customers and partners of "Latvijas dzelzceļš" Group and the Group's employees. VPPD processed more than 262,000 inbound calls and handled more than 2,600 e-mail requests in 2015. Around 75% of inquiries were related to the domestic passenger services (schedules, routes, fares, etc.), whereas about 10% of assistance requests were related to IT issues and the update on the situation at the level crossings. VPPD participated in the Good Service Month event at the beginning of 2016 and won a diploma for Outstanding Service in the transport sector.

SAFETY

Regular update on railway safety matters and the organisation of educational activities take up a significant part of the scope of Social Responsibility. Among them, three safety campaigns were held in 2015; one of those has been particularly dedicated to the safe passing of the railway level crossings. For the education of young people about the safety in the vicinity of the railway, more than 80 safety lessons were organised in Riga and other Latvian cities and towns in 2015, which spanned an audience of more than 4,300 pre-school and school-age youth.



48%

of respondents have admitted an increase in their motivation to observe safety requirements



more than
20,000
views of the
campaign



95
publications
in media



10,000
participants



37,000
visitors



2,362
inventories used



80
locations
in Latvia



367
guided tours



participation at the festival
Staro Rīga



2nd prize
at Baltic PR
Awards 2016



4
additional
exhibitions



about 60
publications
in media

POWER DAY 2015

INDUSTRIAL HERITAGE

The "Latvijas dzelzceļš" experts on industrial heritage and specialists of the Railway History Museum have been particularly active last year in preparation for the upcoming 155-th anniversary of railways in Latvia.

COOPERATION WITH THE STATE BLOOD DONOR CENTRE

The long-term cooperation with the State Blood Donor Centre (Both company employees and other interested persons contributed 200 l of blood at Riga Central Railway Station) has been continued in 2015.

VOLUNTEERING

For the employees interested in volunteering, an opportunity was given to tidy up the Parents house of the Children's Clinical University Hospital and the Gaiļezers hospital. Cooperation with the Children's Clinical University Hospital is also planned in 2016.

COOPERATION WITH RAUDA AND MEDUMI SPECIAL PRIMARY BOARDING-SCHOOLS

Long-term cooperation is linking "Latvijas dzelzceļš" with Rauda and Medumi Special Primary Boarding-Schools, the pupils of which also had both the opportunity of taking part in specially organised sporting events and participating in creative workshops together with the "Latvijas dzelzceļš" employees on school premises in 2015.

CULTURAL, SPORTING AND CHARITY EVENTS

"Latvijas dzelzceļš" has also been supporting cultural, sporting and charity events important to the society, like the "Vienības velobrauciens" (Unity cycling race), Fund and the festival of the opera singer Inese Galante "Summertime", "Lielā talka" (the Big Clean-up), the education movement "Iespējamā misija" (Mission Possible), etc.

ENVIRONMENT

Railway is one of the most environmentally friendly means of transport in the world – it accounts for merely around 6.5-7% of the total environmental pollution generated by the transport industry in Latvia. Moreover, the railway will become even more environmentally friendly upon the gradual electrification of the railway lines in the future.

Still, “Latvijas dzelzceļš” Group constantly monitors the level of the current greenhouse gas and CO₂ emissions, noise, historical and other pollution, and takes all possible measures for reducing this pollution.

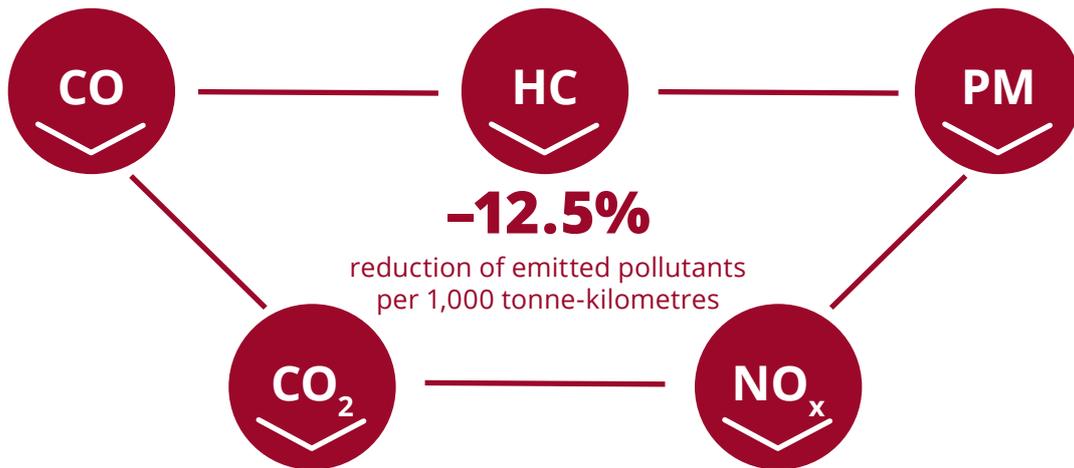
“Latvijas dzelzceļš” Group revised the environmental policy in 2015, promoting a common understanding of environmental protection measures, the planning and accounting, and provided that not only in the subsidiaries of SJS “Latvijas dzelzceļš”, but also in every department an employee responsible for environmental protection matters shall be appointed.



Environmental experts of the Group continue working on further reduction of the environmental damage caused by the railway business activities.

Environmental experts of the “Latvijas dzelzceļš” Group continued monitoring of the soil and groundwater in Riga, Daugavpils, Ventspils, Rēzekne, Krustpils, Liepāja and Jelgava in 2015. Excess degree of pollution was not identified. These kinds of exceeding parameters were also not identified at the air monitoring facility OPSIS installed at Rēzekne II Station.

Furthermore, environmentally friendly solutions are duly incorporated when planning new infrastructure projects, like the installation of a water treatment plant. Last year, these were installed both at Bolderāja 2 Station where an increase in transported freight is considered essential, and the construction of passenger infrastructures (new passenger platforms in stations and stops, access provided for disabled persons, etc.) on the Jūrmala and Jelgava railway connections.



The locomotive emitted pollutants CO / NO_x / HC / PM / CO₂ have been reduced by 12.5% since 2008

“Latvijas dzelzceļš” Group is going to launch the implementation of an Energy Management System in 2016 through gradual introduction of energy efficiency solutions in all of the Group’s facilities over several years.

Two companies of the Group – “LDz Cargo Ltd.” and “LDz ritošā sastāva serviss Ltd.” 2015 have implemented the ISO certified Energy Management System in 2015.

4,5%

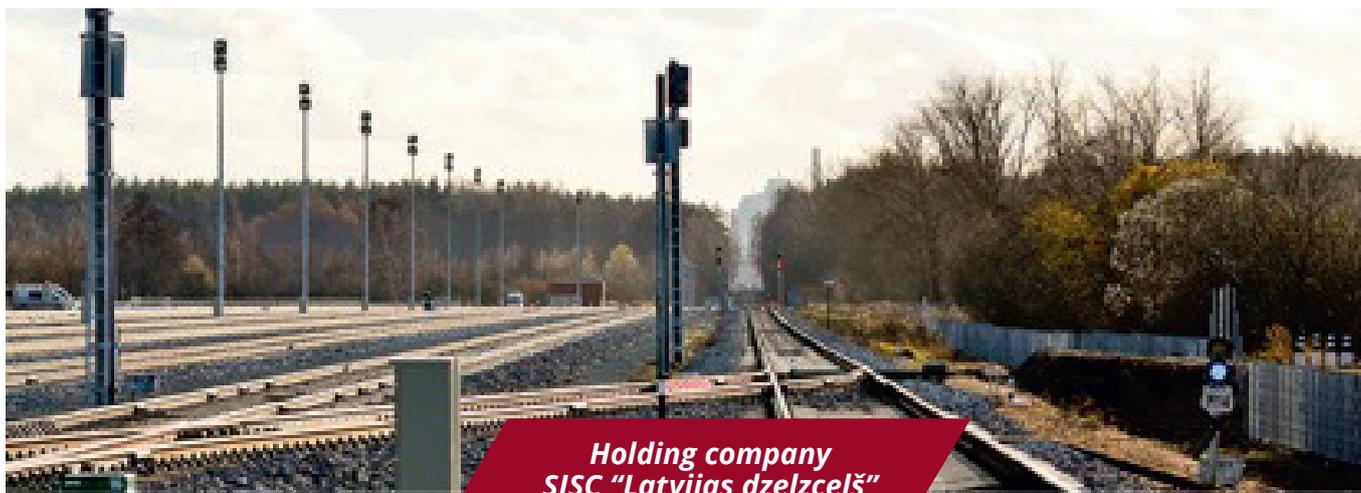
1420
EUR

Reduction in power consumption in
the fourth quarter
of 2015 in the Directorate-General of “Latvijas dzelzceļš”

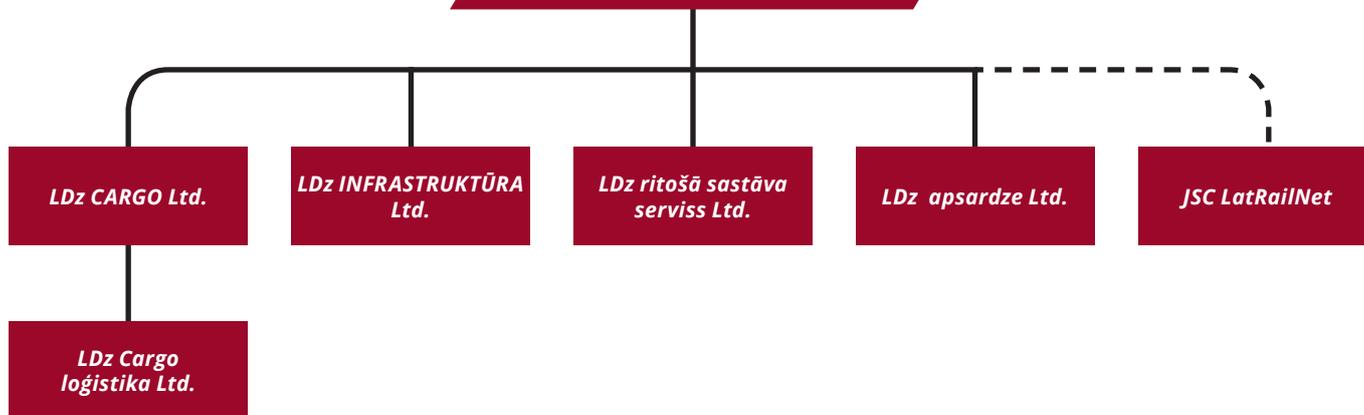
The Group is also implementing a number of key initiatives for the promotion of a more environmentally friendly lifestyle among employees to reduce the environmental impact caused by railway traffic. Annual involvement in the Lielā talka (Big Clean-up) has already become a tradition, implementation of energy-saving measures at the Directorate-General of SJS “Latvijas dzelzceļš” have been initiated by means of a pilot project, but in 2016 cooperation with the “Zaļais punkts” (Green Dot) for organising educational activities has been started.

SUBSIDIARY COMPANIES

“Latvijas dzelzceļš” Group consists of the State Joint Stock Company “Latvijas dzelzceļš” and six subsidiaries – the holding company has a decisive influence in five of them, but in one – an indirect decisive influence. The main task of the SJSC “Latvijas dzelzceļš” is to ensure development and competitiveness of the Group’s business directions by achieving superior results from the synergy of these directions.



*Holding company
SJSC “Latvijas dzelzceļš”*

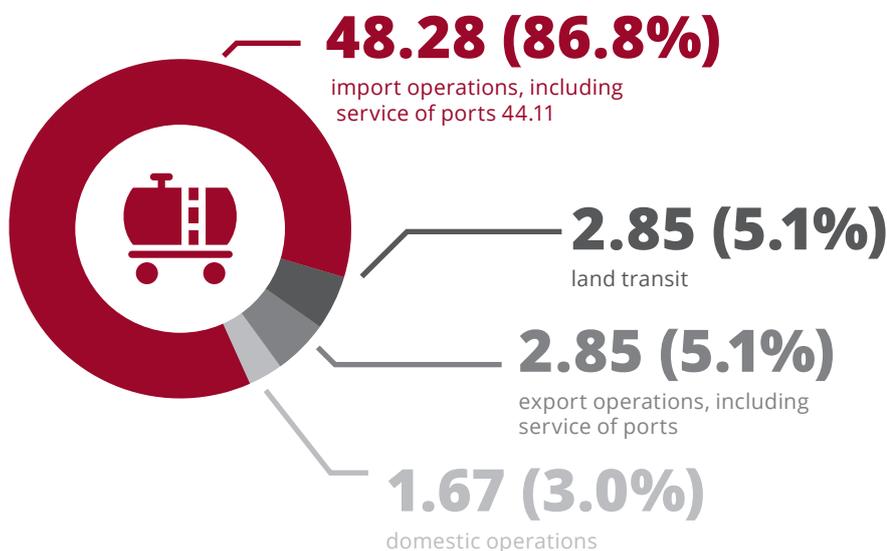
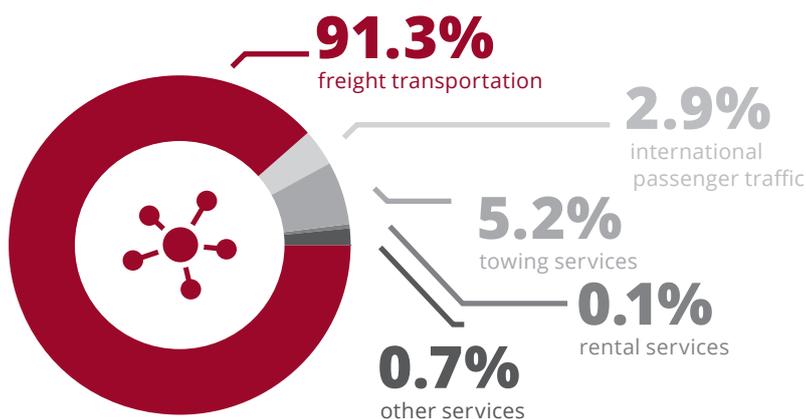


LDZ CARGO LTD.

“LDZ Cargo Ltd.” is a subsidiary founded by the SJS “Latvijas dzelzceļš”, which provides railway freight and international passenger traffic services. “LDz Cargo loģistika Ltd.”, the subsidiary of the “LDz Cargo Ltd.”, provides freight forwarding and logistics services.

In 2015 the Company’s operations and, consequently, financial indicators were influenced by the overall situation in the freight transport sector – “LDz Cargo” transported 55.7 million tonnes of cargo, 1.4 million tonnes less than the previous year. Consequently, the Company’s turnover from operating activities decreased by 9% compared to 2014, reaching 332.7 million euros last year. As a matter of fact, the profit after tax was 2.9 million euros or 1.2 million euros more than in 2014, despite the drop in turnover, thanks to the efficiency of the Company’s operations.

Good earnings are driven by efficient Company business operations, less maintenance costs of wagons caused by lower traffic intensity, as well as decreased fuel prices in relation to the those forecasted in the beginning of the year.



In 2015 the most actively transported freight was oil and oil products (21.8 million tonnes or 39.1% of the total volume of transportation) and coal (19.1 million tonnes or 34.3% of the total volume).

Most of the goods were transported from Russia, about a fifth – from Belarus, but a lesser amount – from Kazakhstan, Lithuania, Ukraine, Estonia, Uzbekistan and other countries.



21.8 mil. t

oil and oil products



19.1 mil. t

coal cargo



3.8 mil. t

Fertilisers



3.4 mil. t

Other cargo



1.8 mil. t

Grain & farinaceous products



1.8 mil. t

Chemicals



1.5 mil. t

Timber



1.1 mil. t

minerals



0.1 mil. t

Sugar



1.3 mil. t

Ferrous metals

In order to improve the quality of transport and increase the volumes of transported freight, "LDz Cargo" invested 2.2 million euros in the maintenance of locomotives and wagons, as well as the implementation of an automated commercial inspection system of trains and wagons in Rēzekne and Daugavpils cargo terminals in 2015. This provides improved and automated processing of trains arriving from railways of the neighbouring countries.

Three routes of container trains were operating in 2015, which provided effective, multimodal freight transportation and enabled the transfer of freight from railway to other means of transportation (like, ship conveyance, road transport or air traffic):

- **Baltika-Transit provides freight services on the connection the Baltic States-Kazakhstan-Central Asia States,**
- **Rīga express provides services at the connection Rīga-Moscow,**
- **Container train ZUBR provides freight transportation at the connection Latvia-Belarus-Ukraine (Black Sea).**

“LDz Cargo” also provides international passenger transportation. The company carried out international passenger traffic on the routes Rīga-Moscow, Rīga-St. Petersburg and Minsk-Rīga in 2015. Traditionally, the connection to Moscow is the most demanded one.

Due to geopolitical reasons, in 2015 the number of carried passengers decreased by 184.1 thousand or about 36% compared to 2014. These figures were affected by decisions on transport optimisation, combining international passenger trains Riga-Moscow and Riga-St. Petersburg within the Novosokolniki span, as well as the withdrawal of the “Latvijas dzelzceļš” train formation and replacement with the Belarusian one at the connection Riga-Minsk. Likewise, in the spring of 2015 the Lithuanian Railways cancelled the train Vilnius-St. Petersburg, the route of which crossed the Latvian territory, consequently decreasing the number of carried passengers even more.

Hence, although it decreased in number, the passenger flow on international routes serviced by “LDz Cargo” continues with the usual seasonality (with a particular increase during the summer). Therefore, the company continues modernisation of the website www.travel.ldz.lv to provide for the more convenient acquisition of travel documents for rides with international passenger trains, as well as the range of additional services, like hotel reservations and car rental.

For the sake of the company’s future development, “LDz Cargo” is actively developing the container transportation in the East-West and North-South directions.

Besides increasing the container transportation, for maintaining the position of the loose bulk freight and liquid cargo transportation, it is necessary to maximally harmonise freight conditions, update the international legal framework and develop the facilities of electronic information exchange on train formations and transported freight.

Holding a leading position of “LDz Cargo” in the development of the logistics centre in the Baltic countries is of the same importance. For this purpose, an attractive combined transport system should be made, which concerns both the legal framework and the infrastructure. For the attraction of transit cargo to the Latvian ports, the company has started active cooperation with the Eastern countries, currently there is active cooperation with Chinese colleagues on the extension of the container train Baltika-Transit route till China. Evaluation of the transit route development between the Baltic and the Black Sea have been done during international negotiations on a high level where the decision about the formation of a coordinating management centre for the particular container train ZUBR has been taken.

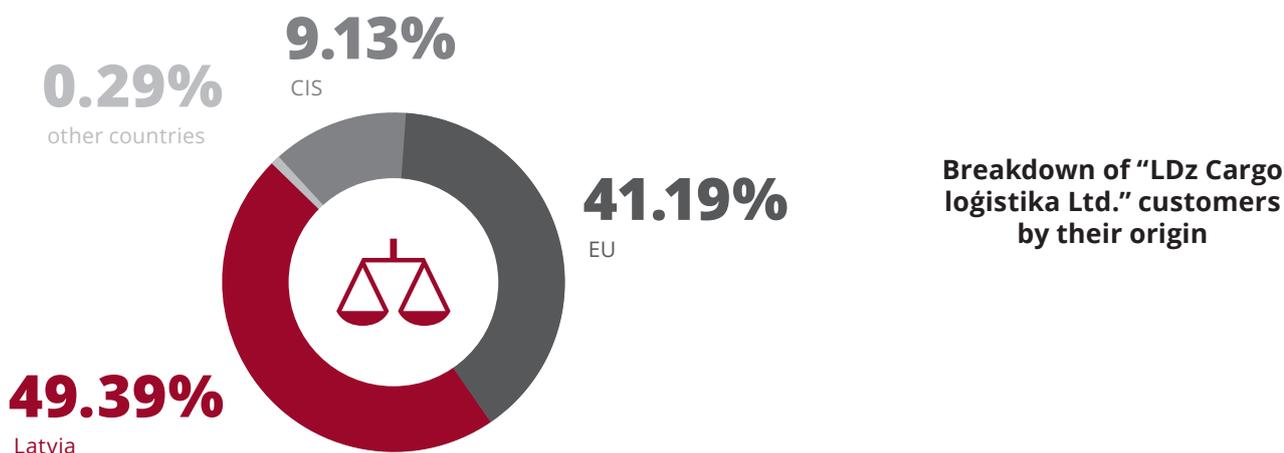
At the same time “LDz Cargo” plans development of the domestic railway freight services and freight transport in the South-North direction. Domestic freight market is one of the prospective commercial activities. For the moment, there is strong competition with road transport in this area due to the flexible conditions this mode of transport can provide. Still, “LDz Cargo” sees development and competitiveness advancement opportunities in this segment by providing customers with a full range of logistic services, including multimodal transport provision, besides railway transport services.

LDZ CARGO LOGISTIKA LTD.

“LDz Cargo logistika Ltd.”, the subsidiary of “LDz Cargo Ltd.”, founded in 2008, provides freight forwarding and logistics services.

Although the total volume of transported freight by “Latvijas dzelzceļš” Group decreased in 2015 due to geopolitical events, the services rendered by “LDz Cargo logistika” had increased by 23.85% during the year reaching 12.3 million euros. The profit after tax reached 141.3 thousand euros in 2015, or 34.41% more compared to 2014.

Good earnings are driven by efficient company business operations, less maintenance costs of wagons caused by lower traffic intensity, as well as decreased fuel prices in relation to those forecasted in the beginning of the year.



The mutual cooperation between ports and freight operators would promote the attraction of additional cargo that plays a vital role in the company's future development. Involvement and support of the Latvian state institutions in international railway freight transportation is of vital importance for promoting Latvia as an attractive country for transit.

The company itself plans to attract new customers by expansion and quality improvements of rendered services as well as participating in the particular cargo transportation projects, which promotes the international reputation of “LDz Cargo logistika Ltd.”

LDZ INFRASTRUKTŪRA LTD.

“LDz infrastruktūra Ltd.” is a subsidiary company of the SJSC “Latvijas dzelzceļš” with the following principal business areas:

- construction and repair of the railway bedding and bridges,
- replacement of railway switches,
- repair of the railway machinery, instruments and devices,
- upgrade of wagons,
- rail welding and transport of continuously-welded rails,
- installation and repair of water drainage systems.

In 2015



47 km

overhauling of railway tracks
(type A)



46 km

reconstruction of railway
tracks (type B)



1.1 km

construction of new railway
tracks



120 km

replaced
switches

Construction and overhauling of railway tracks is the main activity of the company, which generated 91% of total revenue in 2015. Since the SJSC “Latvijas dzelzceļš” is the strategic contracting authority, 97.4% of total company revenue was under the account of SJSC “Latvijas dzelzceļš” in 2015. Company’s profit after tax was 694,000 euros in 2015.

In 2015 the company made capital investments of 1.1 million euros in the overhauling of wagons, purchase of railway gondola for the tail of the train for transportation of contaminated ballast, a number of motor vehicles, equipment units and mechanisms. The capital investments were financed with the company’s own assets, earned by business activities.

Essentially, the company was working extensively in 2015 to generate financial resources for funding the widest possible range of works without attracting subcontractors. As an example, staff of “LDz infrastruktūra” learned new skills in the dismantling and installation of railroad grating on the bridges last year.

Great effort has been invested to improve the work organisation, placing particular attention on works in the Rail Baltica corridor. Upon the replacement of turnouts at Riga regional centre in 2015, direct delivery of railway switches from the manufacturer straight to the particular railway span was initiated, thus reducing the total cost of the works. Previously, these were transported to the production bases of the regional centre and assembled over there first, only then have these been delivered to the relevant span of the railway track. Upon the introduction of the new practice, time, labour and transport costs were saved.

ENVIRONMENTAL PROTECTION

One of the priorities of "LDz Infrastruktūra" is protection of environment. In order to ensure it, the company:



constantly looks for new state-of-the-art solutions for the improvement of operations, decreasing environmental impact and decreasing power consumption;



arranges maintenance and repair pits in the territory of regional hubs with the aim to prevent soil contamination with oil products, spilled liquids are collected promptly;



promptly collects solid hazardous waste, like absorbents and materials contaminated with oil products;



all divisions provide annual monitoring of soil contamination for preventing groundwater pollution, for excluding groundwater pollution;



takes measures for the prevention of thermal loss, like replacing windows and isolating walls of workshops, transferring heating facilities from coal heating to gas heating;



collects and upon necessity utilises liquid hazardous waste (like used oil, cooling liquid), storing them in sealed barrels. All waste collecting facilities are elevated on racks, which prevents pollution and eases collection in the event of leakage;



In 2015 waste sorting was ensured by separate collection of used batteries, waste paper, used printers and printing consumables (toners and cartridges);



In 2015 maintenance and improvements of the ISO 9001 and ISO 14001 system was continued.

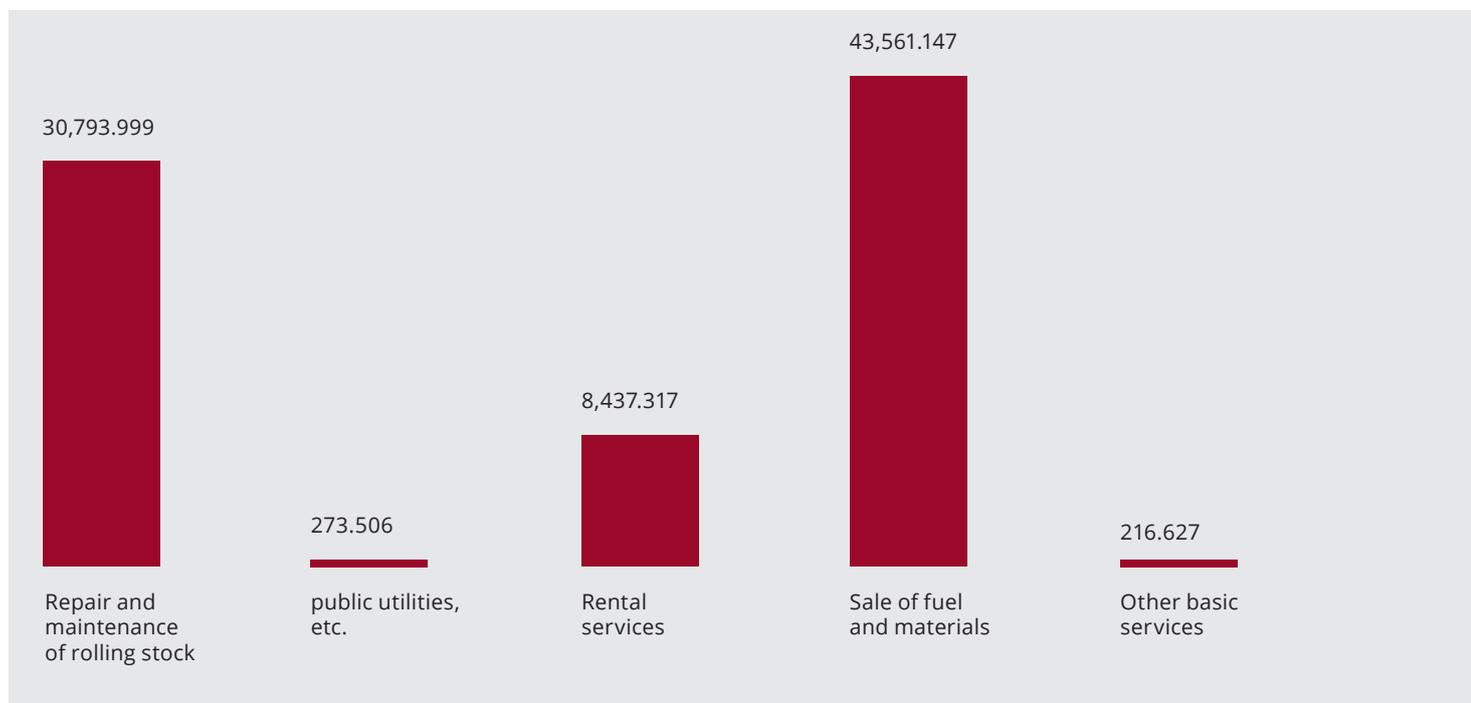
LDZ RITOŠĀ SASTĀVA SERVISS LTD.

“LDz ritošā sastāva serviss Ltd.” is the subsidiary of SJSC “Latvijas dzelzceļš”, which performs repairs, upgrading and maintenance of the locomotives and wagons, provides rental services of the main line and marshalling locomotives, as well as the supply of fuel and preparation services.

Locomotive Repair hub, Wagon Repair hub, chemical engineering and measurement laboratory and inspection team of the company are operating in Riga and Daugavpils, ensuring apt and high-quality repair of the rolling stock, and testing and measurements complying to international standards.

Almost 90% of the company's turnover is generated by services provided to the companies of Latvijas dzelzceļš Group, but the remaining part – services to other companies. Total net turnover from operating activities in 2015 was 83.3 million euros, which is 28.7% less than last year due to the reduced locomotive and wagon repair list, as well as the reduction of price and volumes of sold diesel fuel.

Net turnover structure in 2015 (EUR)

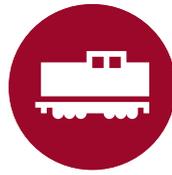


WORK PERFORMED IN 2015:



12 793

Scheduled repair and maintenance of locomotives



18,5

Upgrade and overhauling of locomotives



1 883

Scheduled repair of wagons



34

Upgrade and overhauling of wagons



278

Repair of privately owned wagons



45 612,07

Fuel sale

Reconstruction of the Jelgava workshop fuelling pit of the Riga District Locomotive Repair hub was performed in 2015. For compliance with environmental legislation, all pipework has been positioned above the ground, preparation pits have been upgraded with an anti-filtration undercover during project implementation. Contemporary and state-of-art oil product distribution and management system has been installed at the operator building.

Painting booth of the Locomotive Repair hub of Riga district has been renovated for improving working conditions, as well as painting quality of diesel-electric locomotives. Ventilation system has been installed and lighting has been significantly improved within the framework of the painting booth renovation project. Painting booth has been equipped with a fire alarm.

Whereas at the wagon repair hub, a new workshop for mechanical restoration was built last year, which has been equipped with state of the art HVAC facilities as well as energy-efficient LED lighting.

In 2015 the reconstruction of the water supply system of the wagon repair hub has been continued. Within the framework of this reconstruction, the backup connection of the current water supply facilities to Daugavpils urban water supply system has been constructed, which will ensure uninterrupted water supply to the production and administrative buildings in case of emergency.

In order to ensure the safety of the rolling stock and adequate maintenance of the "LDz ritošā sastāva serviss Ltd." locomotives, as well as provide operators with the necessary number of locomotives, the repair of nine locomotives has been made in 2015. Also, modernisation of the marshalling locomotives has been performed during the reporting period. One of the modernised locomotives is marshalling wagons at the repair hub that allows prices of the services rendered by the company to be reduced.

In order to ensure the performance of all works in 2015,
the company employed 1,432 workers, including:



20%

with higher
education



55%

with vocational
secondary
education



18%

with secondary
education



7%

with elementary
education

Employees regularly improve their professional and social competencies, acquire new knowledge and skills in the technical training, courses and workshops, constantly improve their qualification and professional skills, including abroad. For instance, technologists and technicians of the locomotive repair hub were studying at the Training Centre of the German company MTU at Friedrichshafen in order to realise the modernisation project of the two-section main line diesel-electric locomotives 2M62. Whereas, chief metrology specialists of all departments studied and demonstrated their skills at refresher training at Petersburg State Transport University founded in 1809 in Russia.

In the future, the company "LDz ritošā sastāva serviss" aims to become a competitive servicing enterprise of railway transport repair, modernisation, locomotive leasing and preparation service industry of the Baltic states whilst providing safe railway traffic.

Projects included in the company's investment programme for 2016 are related to both renewal and modernisation of the diesel-electric locomotive fleet and reconstruction of the existing facilities. Among them, the repair of 22 locomotives, recovery of contaminated soil, installation of anti-filtration bedding under the railway tracks, renewal of railway tracks and installation of the necessary technological equipment, as well as landscaping works at Daugavpils Locomotive Repair hub fuelling pit, whereas at the Riga depot fuelling pit, installation of anti-filtration bedding is planned in 2016.

Hence, the company's activities are directly related to the freight volume changes – as it falls the demand for both fuel and freight rolling stock maintenance and locomotive lease decreases. Therefore, in 2016 the company will pay close attention to cash flow optimisation, maximising the use of their own resources and attracting additional money in a timely manner for effective and marketable company operation.

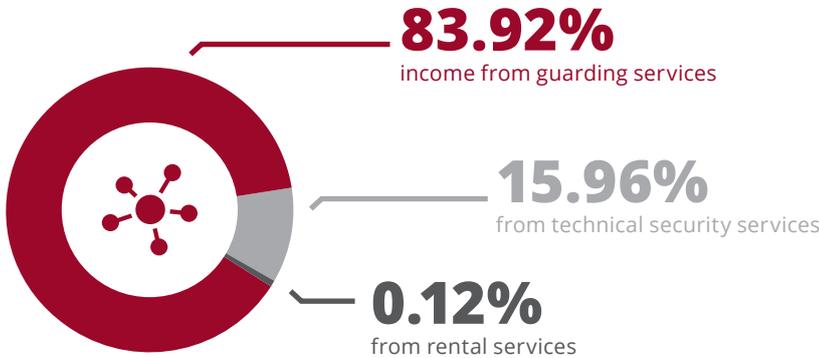
LDZ APSARDZE LTD.

Principal activity of "LDz apsardze Ltd." is the provision of a wide range of security and firesafety services to companies of SJS "Latvijas dzelcešs" Group, as well as other companies and individuals in Latvia.

"LDz apsardze" has been granted with an open-ended category two security services licence and Industrial Security Certificate No. 250, and the management system has been certified according to the ISO 9001: 2008 standard.

"LDz apsardze" provides guarding of various objects and railway freight physical security; provides technical security services – security systems design and installation works, renders the service and maintenance of customer security systems.

"LDz apsardze" closed the financial year 2015 with 7.3 million turnover, which is under a 7% increase compared to the previous financial year.



Net turnover structure in 2015 (%)

The company's profit after tax was 101.2 thousand euros in 2015, which is 70.4 thousand euros more than in 2014. The Company accounted for 484 employees on average this year.

The major work carried out by the company in 2015 was the installation of the fire detection and alarm system and voice alert system at Riga Central Railway Station.

Also, the upgrade of Operations Management centre facilities, installed security system at nearly 40 sites and set up of a CCTV systems development test site have been carried out within the framework of the 144,000 euro worth large-scale investment programme last year. Also in 2016 it is planned to continue work in these areas by proceeding with the upgrade of CCTV systems and Operations Management centre facilities as well as commencing physical security services at Riga Central Railway station, thus ensuring care and convenience of the station visitors.



272

Number of customers



68

Number of guarded objects



1 408

Objects provided with technical security services



132 933

Number of guarded wagons/ containers of the Group



1 337

Number of guarded privately owned rolling stock



156

number of arrested offenders handed over to police

In the following years, the company intends to strengthen the focus on services to industrial site security and increasing service capacity in the regions where rapid reaction teams have been set up.

JSC LATRAILNET

Joint Stock Company "LatRailNet" is a subsidiary of the SJSC "Latvijas dzelzceļš" and performer of the essential functions of the public railway infrastructure manager pursuant to the Railway Law.

Essential functions of the railway infrastructure manager encompass:

- decisions on charges for the use of public railway infrastructure;
- setting increased charges over peak hours and in congested lines of the public railway infrastructure subject to the charging application procedure;
- setting the economically justified discounts optimising the use of public railway infrastructure subject to the charging application procedure;
- allocation of railway infrastructure capacity among the carriers subject to the submitted applications for the use of railway infrastructure;
- decision on train dispatch of the particular operator.

The independence requirements programme shall be drawn up, which shall determine particular obligations of the employees and measures taken that shall eliminate unequal treatment of railway carriers and shall ensure proper observance of the set requirements subject to the provisions set out in Article 13.1 of the Railway Law ensuring the independence of essential functions of the public railway infrastructure manager.

There were no reports on a breach of the equality principle, violation of confidentiality or any other requirements of independence in 2015.

Subject to the contract, the company is financed by the manager of the public railway infrastructure by means of funds of the public railway infrastructure.

For the assessment of the company's operations, use of the public railway infrastructure capacity shall be analysed, and it is defined by train-kilometres. The actual transportation volume of freight and passengers (excluding train-kilometres for the purpose of maintenance) was 16.7 million train-kilometres in 2015, that is 2.9% less than last year.

In 2015 the net operating turnover of JSC LatRailNet was 1.2 million euros or 1.7% more than the previous year. Performing essential functions of the public railway infrastructure is the sole source of revenue for the company. Company's profit after tax was 12.7 thousand euros in 2015.

INDICATORS	MEASUREMENT	OPERATING RESULT
use of infrastructure (freight traffic)		11.8
use of infrastructure (passenger traffic)		6.3
percentage of freight trains dispatched according to the schedule		93.5
average distance (freight trains)		23.4
average line speed (freight trains)		31.0
average technical speed (freight trains)		40.3
average train weight (freight trains)		3,054

To ensure the quality of decision-making and to create a transparent and sustainable regulatory environment, JSC LatRailNet actively participated at the international events of exchange of experience and information last year, including the conference of transportation infrastructure managers of the CIS single rail network for the improvement of the operation works, work group of European charging bodies, as well as consultative meetings of the European Commission within the framework of drafting EU regulations. Also, JSC LatRailNet participated at the Moscow international conference on railway tariff regulation.

In 2015 the company successfully dealt with the railway infrastructure charges and capacity allocation issues important to the LDZ Group by active participation in the working group on the transition of the requirements by Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European Railway Area. Extensive work has been carried out on infrastructure charging issues, including participation at the working group on the improvement of charging for the public railway infrastructure operation organised by the SJSC Latvijas dzelzceļš to ensure the national transition of EU requirements.

The biggest challenge for 2016 is the transition of the Directive requirement,

in particular, drafting, public consultation and approval of amending regulations to the Cabinet of Ministers Regulations on allocation of the capacity of the public railway infrastructure. Also, it is planned to work on the transition of acts regarding regulation of the railway industry, including the charging and collection schemes as well as on projects of capacity allocation schemes and discussion with applicants and the infrastructure manager.

GROUP'S STRATEGIC DIRECTION

Strategic direction of the "Latvijas dzelzceļš" Group is determined by two fundamental documents:



Strategy of "Latvijas dzelzceļš" Group until 2030 approved in 2013



"Latvijas dzelzceļš" medium-term strategy 2016-2020

Subject to the Law on Management of Public Entity Owned Capital Companies and Capital Shares, the SJSC "Latvijas dzelzceļš" has developed a medium-term development strategy 2016-2020, with an integrated vision, mission and values of the industry long-term strategy. The strategy is submitted for the approval to the Cross-Sectoral Coordination Centre.

STRATEGIC GOALS



- Provide infrastructure with carrying capability meeting demand
- Ensuring competitiveness of infrastructure provided services over changing market conditions
- Maintaining high traffic safety standards



- Improvement of Group's organisational structure
- Ensuring efficient, high-quality and transparent process management
- Ensuring extensive utilisation of contemporary information and communication technologies in management and production processes
- To become the company with the best environmental management practice in the transport industry
- Building and maintaining the reputation of a socially responsible and sustainable business



- Ensuring positive cash flow
- Ensuring cost efficiency
- Ensuring optimum capital structure
- Ensuring attraction of financial resources for investments



- Meeting the requirements of the Group Companies for professional and loyal employees
- Enhancing the efficiency of human resources
- Ensuring the refreshment and development of competencies, including technical ones

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