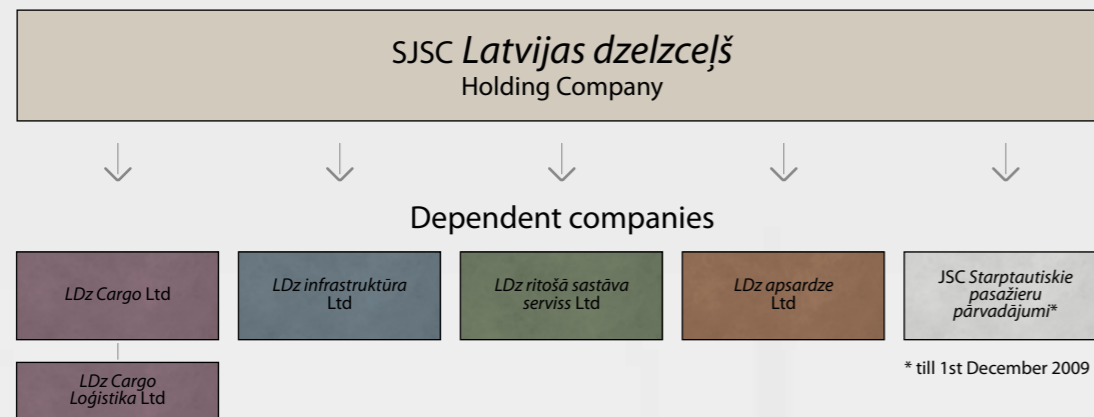




**LATVIJAS DZELZCEĻŠ**

**ANNUAL REPORT 2009**

## Concern *Latvijas dzelzceļš*



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## REPORT OF THE CHAIRMAN OF THE BOARD



### Not to stop on the attained

The year 2009 in the history of State Joint Stock Company *Latvijas dzelzceļš* was a remarkable year – the year of its 90<sup>th</sup> anniversary. On the one hand, it was the time of emotional uplift, but on the other hand it was also a year of intensive work. It can be said that the previous two years have been successful to us. In 2008, *Latvian Railway* reached the record of freight carriages, whereas in 2009, despite the fierce competition in the transport market, we were able to continue large projects of investments and modernisation of infrastructure.

### Investments in modernisation of infrastructure

The long-term business goal of *Latvian Railway* is an efficiently organised and managed infrastructure – railway tracks, engineering technical buildings, signalling systems, railway communication network, wireless communications, maintenance of power supply network and communication network, and other equipment in accordance with the Regulations of Railway Technical Maintenance. Management of railway infrastructure is the main task of the mother company of the concern.





Good achievements in freight carriages approved that it is necessary to develop infrastructure, because in some places there has been a lack of infrastructure capacity reserve, it concerns also the railway section Indra – Bigosovo, which is not only the border of Latvia and Belarus, but also the external border of the European Union (EU). With the support of EU last year the second track was constructed in this section, which will start to operate in the beginning of 2010.

In the year of report we completed the project commenced in 1999 – replacement of track turnouts in East-West railway corridor. Other ongoing modernisation projects must be completed in 2010.

In 2009 all preparatory works for one of the most significant infrastructure projects in the history of *Latvian Railway* – construction of the second track in section Skriveri – Krustpils – were carried out. This project has been protractedly and carefully prepared, and will have a huge significance in the national economy of Latvia.

#### Freight carriages are to be precisely planned

Although the complicated economic situation specially affected the railway carriages and initially it seemed that it will negatively affect also on *Latvian Railway*, we managed not to allow large reduction of freight carriages. In total 53,7 millions tonnes of freight were carried, which in comparison with the year of the record, has decreased per 4, 2%. In other states of the European Union the volume of freight carriages also decreased per 10 to 37%.

As to the year 2009, we can also be satisfied with container carriages, where another record was reached – 71142 TEU were carried, which is 34,8% more than in 2008. The subsidiary company *LDz Cargo Ltd.* had the fastest growth in this sector due to traffic of non-military NATO freight to Afghanistan. Other lines, for instance, to Kazakhstan, as well as to Ukraine, develop successfully and the volume of added value freight increase.

Therefore also the year 2009 can be added to our list of successful process of economic management, because the outcomes are indeed the result of a very hard every-day work and precise planning.

In June 2009, the container train *ZUBR* started running, which is the result of teamwork of Latvian and Belarus railways. Operator of carriages in Latvia is *LDz Cargo Logistika Ltd.* Export and import freights are carried in this line to and from Belarus. In the year of report 465 TEU units were carried with the container train *ZUBR*, and 14630 TEU units were carried in line *Baltika Tranzit*, destination of which is Kazakhstan and other states of Central Asia.

#### International co-operation

On the one hand, railway is the safest mode of transport, but, on the other hand, railway is also a field of transport, where the normative regulation is very complicated. Railway of each country is an individual system – different gauge of rails, rolling stock and what is important – goals and norms differ. Also the historic inheritance and geographic situation have a large impact. Therefore, when setting directives and standards, the individual situation of railway in each country must be taken into account, it cannot be ignored. It is approved also by unavailing attempts of European Commission (EC) to apply unified standards, thus technical-

ly equating railway systems of all EU countries, as well as to liberalise in a very simplified way the market of the member states.

For instance, in Latvia freight carriages significantly prevail over passenger carriages – comparatively short total lengths of railway tracks (1884,20 km) is used very intensively – we are one of the most efficient railways in Europe as to carriages. Also the railway infrastructure is more suitable for freight carriages in East-West transit corridor, which unites Russian and Belarus railways with the seaports in Latvia – Riga, Liepaja and Ventspils.

For raising of competitiveness great significance has the close co-operation within the international organisations with the higher level of management in Russian, Kazakhstan, Belarus and Ukrainian railways, as well as with colleagues from Lithuania and Estonia. In mutual discussions a diplomatically positive foundation for negotiations and following contracts has been prepared.

#### Responsibility for environment

In environment policy of *Latvian Railway* attention is paid to so-called double-effect measures. These are measures that add to economy of materials and resources, and reduce the risk of pollution. For implementation of environment policy measures, the most part of expenses are for measures of economy of fuel and power resources. In the second place by the amount of expenses used are events for protection of soil and groundwater, but in the third, fourth and fifth places accordingly – events for providing of train traffic, water protection, its rational use, and preservation of hydrologic regime in the territories next railway tracks, and noise reduction.

With good reason railway is considered to be one of the safest and ecologically most friendly types of transport in the world. These two aspects are ones we are trying to substantiate in our everyday work.







If to compare the average statistics of *Latvian Railway* and Europe as to the amount of CO2 emission on one tonne/km, ratios of *Latvian railway* are two times friendlier for environment: in Europe the amount is 20 — 25 grams emission on tonne/km, but in *Latvian Railway* it is 10 grams. Nevertheless, *Latvian Railway* still has great possibility to improve the situation of power efficiency and reduction of CO2 emission (g CO2/unti of carriage), for instance, purchase of new traction and rolling stock, as well as railway electrification. In this field in the year of account the Ministry of transport has commenced a research project to evaluate all factors and economical advantageousness of railway electrification.

Purification is not the only we are carrying out for environment protection. Just as essential it is to prevent new pollution. Therefore more finances are granted to projects anticipating non-occurrence of pollution. Huge financial resources were invested in modernisation of the largest fuel basis in Riga and Daugavpils. Oil storage containers, which were stored underground, now are scooped out, and renovated or replaced with new

containers. There are special heated underground premises, where these containers are stored.

We have also implemented power efficiency events that each year allow us to save up to 50% of electrical power for lighting of railway parks. *Latvian Railway* participates in the project of *EC Green Light* and is one of first Latvian companies, that has received partnership for implementation of projects of renovation of lighting technologies in railway station parks in Jelgava and Ventspils. In these parks high-pressure sodium lamps are installed, which consume approximately 50% less power and they function two times longer – on average 5 years.

#### **Strongest capital – professional staff**

We are satisfied that despite the economical situation in the world, we were able not only to retain the volume of freight, but also to continue to invest in ongoing projects, to give support to our state, and to thank our employees, which is our strongest capital, improving their conditions of work, and improving the salary sys-



tem, thus motivating them work even better.

Loyalty of staff towards employer is motivated by, for instance, Collective contract, which is developed in cooperation with the most powerful trade union in Latvia – Trade Union of Railwaymen and Transport Sector. Different sets of social protection have been prepared, for example, health insurance, in case of social traumas; similarly other types of social guarantees are being prepared. In the previous years, and in the year of account special attention was paid to raising of standards of environment of work and work safety, for instance, work places are improved. *Latvian Railway* also participates in developing of recreation centre owned by trade union.

Sustaining of traditions has also an important aspect. In the anniversary year several events took place. Besides the awarding of best employees on November 18 and August 5 (day of foundation of *Latvian Railway*), these events have gained appreciation of employees. For instance, common celebration of Christmas and Ligo day, participation in Sports Holiday by Virogna Lake are very popular among employees. Besides the above mentioned, new ideas regarding corpora-

tive traditions are born, for instance, *Our Talents*. Within this project a book *Creative Railwaymen* was prepared, exhibition of photographs *Railway Photo* and other events. In the year of account for the second time the campaign *Pride of Railway* took place, the most important part of which is that employees nominate their colleagues for the award.

I am proud to announce that due to the 90<sup>th</sup> anniversary of *Latvian Railway* a book *Railways in Latvia* was published, which is actually an encyclopaedic research on development of our railway network from the beginning until these days. Nevertheless, the main benefit is the fact that our employees have the awareness – I am proud to work for *Latvian Railway!*

**Uģis MAGONIS**  
Chairman of the Board  
State Joint Stock Company  
*Latvijas dzelzceļš*





STATE JOINT STOCK COMPANY  
**LATVIJAS DZELZCEĻŠ**





## COUNCIL

### Leonīds LOGINOVŠ

Chairman of the Council (till 30.04.2009.)

Member of the Council (since 01.05.2009. till 12.05.2009.)

Deputy Chairman of the Council (since 13.05.2009. till 01.07.2009.)

### Andrejs POŽARNOVS

Member of the Council (till 12.05.2009.)

Chairman of the Council (since 13.05.2009. till 01.07.2009.)

### Jānis EIDUKS

Member of the Council (till 30.04.2009.)

### Kārlis GREIŠKALNS

Member of the Council (till 30.04.2009.)

### Guntars KRIEVIŅŠ

Member of the Council (till 30.04.2009.)

### Arvīds KUCINS

Member of the Council (till 30.04.2009.)

### Andrejs NAGLIS

Member of the Council (till 30.04.2009.)

### Imants SARMULIS

Member of the Council (till 01.07.2009.)

### Juris ŠMITS

Member of the Council (till 30.04.2009.)

### Elmārs ŠVĒDE

Member of the Council (till 30.04.2009.)

### Linda BALTIŅA

Member of the Council (till 30.04.2009.)

## BOARD



### Uģis MAGONIS

Chairman of the Board



### Aivars STRAKŠAS

Member of the Board



### Ēriks ŠMUKSTS

Member of the Board



### Andris ŠTEINBRIKS

Member of the Board



### Edvīns KOČĀNS

Member of the Board (since 15.06.2009.)



### Māris GAVARS

Member of the Board (till 16.07.2009.)







## Strategy

In response to changes in the market and development prognosis of the report period, the vision, mission, strategic goals and main tasks of *Latvian Railway* have been revised and adjusted.

The Vision is to become a progressive, safe and efficient railway company.

The Mission is to ensure management of railway infrastructure and transportation services in the interests of Latvian economy.

### The main strategic goals:

- To provide the railway infrastructure throughput capacity in East-West railway corridor, at an average up to 85 million tonnes of freight per year;
- To ensure competitive price of railway infrastructure services

corresponding to demand;

- To provide the level of railway infrastructure passenger traffic services corresponding to demand of carriers;
- To increase the scope of railway freight traffic;
- To provide sufficiency of traction for carriages.

The most substantial directions of business in the concern are the management of public railway infrastructure and transport services. The largest part of transport services is freight transport.

To achieve the goals set, it is necessary to come to an agreement with the state about the goals of maintenance and renovation of railway infrastructure and the financing within a long-term agreement, as it is prescribed in the EU normative documents and as shows the best practice, which has been successfully implemented in almost a half of the member states.

In 2009, the new investment policy of the company was approved. It aims at establishing the basic principles of management and control for the investment planning to ensure justified investment decision-making and resources for efficient implementation of the concern's strategy.

It is foreseen to make maximal use of own resources for investments - in amount of depreciation and the profit share remaining at the company's disposal, additionally attracting European Union, government and municipal budget funds, including refund of excise tax paid by railway operators starting with 2012, as well as credit resources.

In addition possibilities have been considered to implement separate projects with co-financing of private sector.

### Management of Public Railway Infrastructure

The main tasks of strategic development in management of railway infrastructure are providing of:

- throughput capacity of railway infrastructure in East-West rail corridor;
- competitive price of railway infrastructure services,
- coordinated development of cross-border transport corridors with the railway organisations of the neighbouring countries;
- the level of railway infrastructure for passenger services corresponding to demand of carriers.

To accomplish these tasks, it is planned to:

- complete the commenced investment projects in the East-West railway corridor: construction of the second railway track in the sections of Skriveri – Krustpils and Indra – State border, modernisation of signalling systems, extension of station tracks in section Jelgava – Liepaja, and development of stations Liepaja and Indra;
- develop Riga railway junction; in accordance with the results of

the feasibility study, developing connections on the left bank of Daugava, and to solve the problem of freight transit through the city centre;

- carry out the construction of passing loops in the sections Jelgava – Tukums and Krustpils – Jelgava, and other similar projects;
- regularly renovate railway tracks, engineering constructions and equipment, replace track turnouts;
- in accordance with the results of the commenced feasibility study to modernise and /or extend electrified railway infrastructure or to change over to diesel traction in the whole network;
- in accordance with the demand of passenger carriers, requirements of the EU and national standards, to ensure development network of passenger stations and stops, introducing elevated platforms and passenger information systems;
- develop economically justified freight station network;
- develop Riga Central Railway Station, to integrate it and other stations of Riga agglomeration into the city public transport network in accordance with the Riga region mobility plan, which is being developed;
- after the results of feasibility study to ensure development of railway infrastructure within the Rail Baltica project.







### Freight traffic

The main task of freight transportation business is to increase the volume of freight carriages:

- by developing container carriages, creating new regular lines, increasing frequency of train traffic, and increasing the fill of container trains;
- by attracting new freight carriages in East – West railway transport corridor;
- by developing domestic and north – south freight traffic;
- by developing combined traffic services.

In order to accomplish the above task, rolling stock has a crucial role. It is a domain with insufficient investments made. The pool of locomotives and freight wagons is technically out-of-date. Therefore it is foreseen to modernize both the pool of locomotives, increasing its energy efficiency, and wagons according to the needs.

### Other business directions

The companies of the concern are also operating in other business directions

- construction and repairs of railway infrastructure;
- maintenance and repairs of traction and wagon pool;
- services of information technologies and electronic communications;
- services of the principal;
- security services;
- production, transmission and sale of power resources;
- distribution and sale of electricity;
- management of real estate.

The main strategic task of the support businesses is to raise productivity of labour, providing higher quality of services and competitive prices. It can be achieved by reasonable investment in new technologies and improvement of organisation of work and distribution.





## Renewal and modernization of infrastructure in 2009

In 2009, the implementation of ongoing infrastructure renewal and development projects continued.

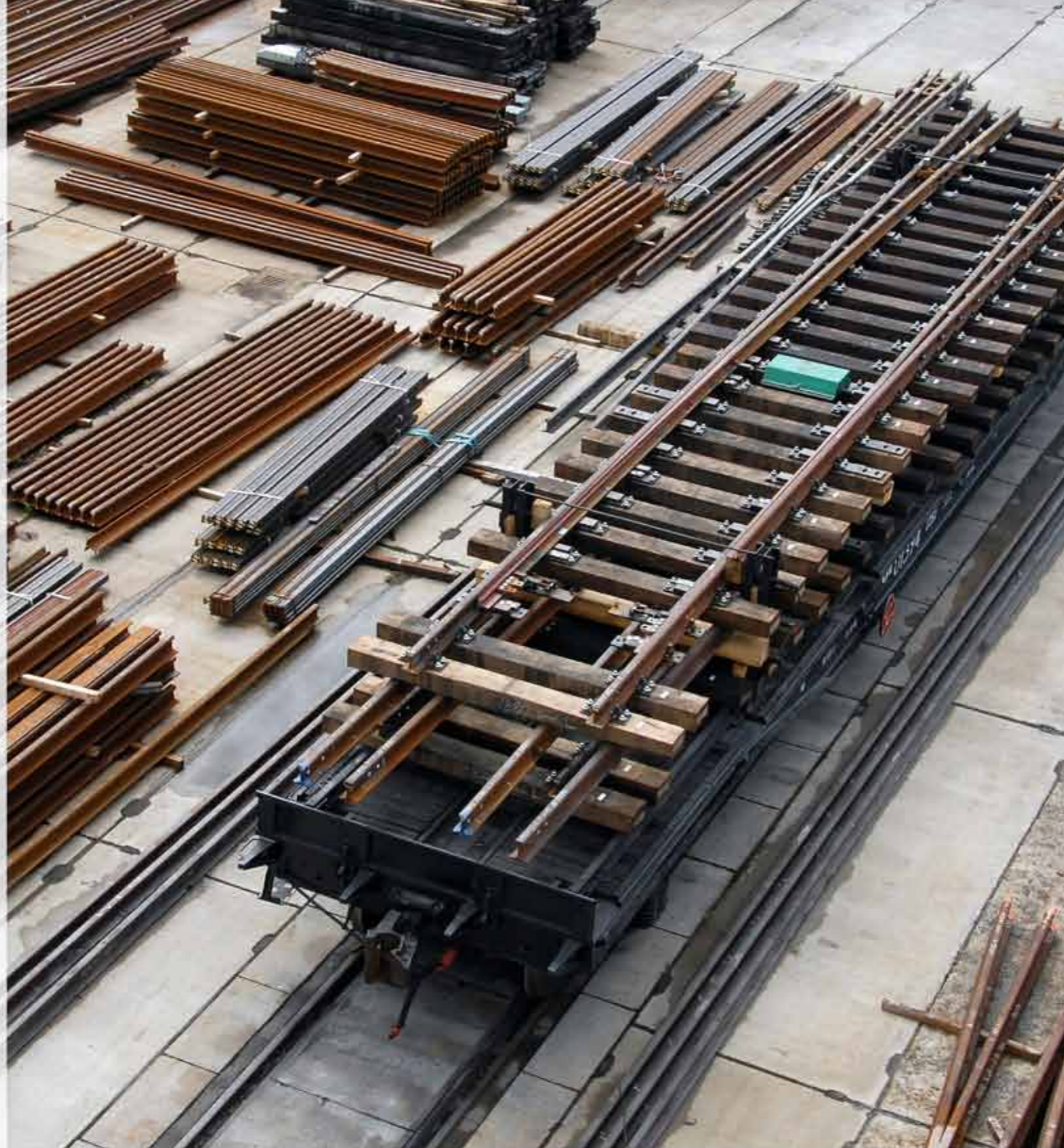
### A completed project

In the year of report the project "Replacement of Track Turnouts" was completed. Within the framework of this project 760 new track turnouts were installed since the year 2003.

### Work continues

In 2009, the following projects with EU co-financing were continued:

- Modernisation of Hot-box Detection System (to be completed in 2010)
- Modernisation of the Signalling System (Stage 1 and Stage 2)
- 260 km of track renewal on sections of the East-West Railway Corridor (to be completed in 2010)



In the second half of the year a *Feasibility Study on Railway Routes to the Port Terminals on the Left Bank of the Daugava River and to the International Airport "Riga"* was commenced and a tender announced for a *Feasibility Study of Latvian Railway Network Electrification* with co-financing of the EU Cohesion Fund technical assistance money.

### Future projects to be implemented with the EU co-financing

When planning financing for the period 2007 – 2013, European Commission made a decision to grant 46 million Lats from the Cohesion Fund for the project *Construction of the Second Track in Riga – Krustpils Section*, implementation of which is planned to be carried out in four years.

To develop railway infrastructure for the servicing of freight terminals

in Riga Freeport in accordance with the Riga City development plan 2006 – 2018, preparation has been made for development of several Riga Node modernisation projects. For implementation of these projects the EU Cohesion Fund financing for the period 2007 – 2013 will be used:

- Modernisation of signalling, telecommunication and power supply systems in the Bolderaja 1- Zaslauks section;
- Construction of Bolderaja 2 station in Krievu sala;
- Reconstruction of the marshalling hump in Skirotava station.

Financing of the EU TEN-T programme was granted for the implementation of the project *Renovation of the Railway Track in Rail Baltica Corridor* in Latvia, the total cost of which will be 68 million Lats. At present the project is suspended, because the scheduled state co-financing was not granted.







## Environment protection

The work on environment protection in State Joint Stock Company *Latvijas dzelzceļš* is connected not only with providing of execution of different normative acts, but also with lessening of the impact on environment caused by the economical operation of the concern.

In 2009 successful co-operation with Joint Stock Company *Latvijas Zaļais Punkts (Latvia Green Point)* was commenced in the field of management of used packing and hazardous commodities. As a result of the co-operation exemption from natural resource tax was received.

Special attention was paid to issues of power efficiency - heat insulation of buildings, modernisation of boiler houses and heating systems, and transition to an environment-friendly fuel.

In the year of account different environment protection events were organised. The total cost of these events is 3,64 million Lats.

The main domains of environment protection:

- Providing of train traffic safety and fire security (repairs and modernisation of level crossings, repairs of the turnout decontamination devices, maintenance of right of way, includ-

ing cutting out of bushes, mowing of grass, garbage collection and removal of other flammable materials);

- Noise reduction (grinding of rails and turnouts, capital repairs of level crossings with laying of rubber surfacing, noise measurements);
- Protection of atmosphere (monitoring of air quality and testing of emission, works with heating and ventilating systems);
- Waste management (waste of oil products, waste containing oil products, utilisation of soil polluted with oil products, as well as collection of useless electronic devices, and utilisation of other hazardous waste);
- Soil and groundwater protection (rehabilitation and modernising of polluted areas, decontamination of railway sections from pollution with oil products, reconstruction of fuel and fuel base depots according to demands of environment protection);
- Events of environment protection of general significance (replacement of equipment containing dangerous substances, receiving or altering of

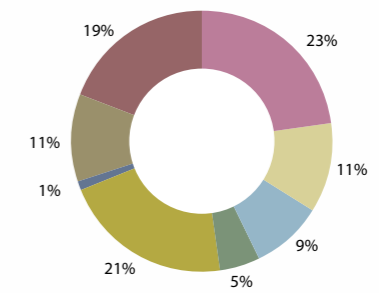
B category contaminating activity permits, preparation of informative materials);

- Economy of fuel and other energy resources (repairs of buildings and roofs, replacement of windows, modernisation of outside lightning);
- Water protection and rational use of it (remaining of hydrological regime for railway track in adjacent territories, works connected with sewerage and water-pipe systems, installing and repairs of drainage systems).

Constantly more important results in improving of quality of environment are reached due to reduction of specific consumption of diesel – in comparison to 2000 a decrease of 20 % is reached, therefore the volume of emission of contaminating substances from diesel-engine locomotives has decreased (see charts).

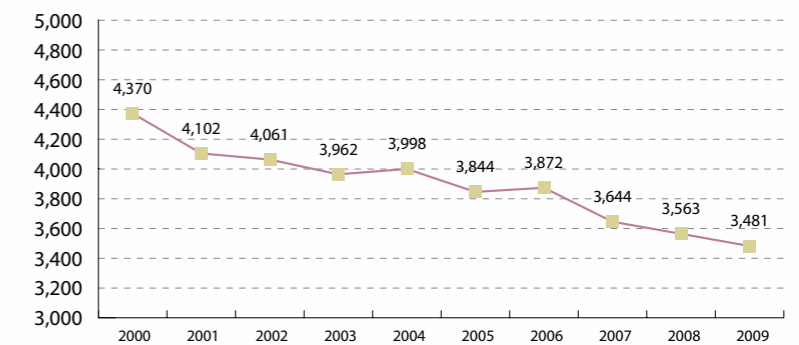


The use of financial resources for environment protection in Latvian Railway in 2009

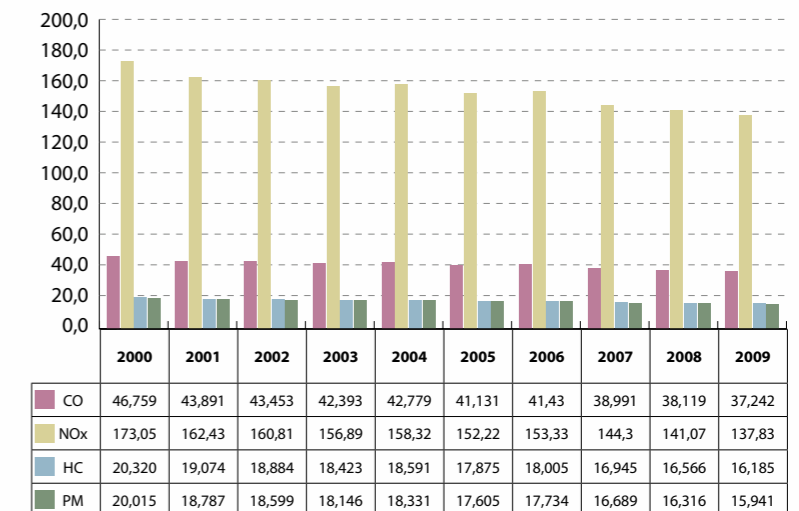


- Assurance of train traffic safety and fire security
- Management of noise and vibrations
- Atmosphere protection
- Waste management
- Soil and ground water protection
- Events of environment protection of general significance
- Economy of fuel and other energy resources
- Water protection and rational use of it, remaining of hydrological regime

Specific consumption of diesel to 1000 tonnes/kilometre (kg)



Emission of contaminating substances from diesel-engine locomotives in the air to 1000 tonnes/kilometre (kg)





## Technical management and maintenance of infrastructure

Technical Department of State Joint Stock Company *Latvijas dzelzceļš* is responsible for organisation of train traffic and railway infrastructure – maintenance of railway tracks, engineering buildings, train traffic management system, railway telecommunication network, wireless communication, power supply network, communication network and other equipment in compliance with the Regulations of Railway Technical Maintenance. Total length of railway main tracks is 1884,2 km.

The year of account for Technical Management Department was essential with several events. For instance, the plan about creation of unified dispatcher centre was implemented, merging Riga, Jelgava and Daugavpils regional dispatcher services with the dispatcher centre in Riga. The first stage was implemented in Riga operating district, but the work on developing of signalling systems will continue the next years.

On July 2, *Latvian Railway* completed large project co-financed by the Cohesion Fund, within which 780 worn out track turnouts were replaced in the East-West railway corridor.

The new track turnouts provide better safety of passenger and freight traffic; throughput capacity in the transit corridor, as well as reduces noises and vibrations.

On November 13, on the border of Latvia and Belarus between Latvian station in Indra and Belarus station in Bigosova installation of rails on the second track was completed. In future it will allow increasing of freight throughput capacity between two countries. In the end of the year European Commission approved the decision to grant 65,55 million Euros from the funds of Cohesion Fund to co-finance the project *Construction*

*of the Second Track in Section Skriveri – Krustpils*. The project includes design of technical project and construction of the second track. It is planned to build the second track on the existing railway right-of-way until the year 2013 from Skriveri to Krustpils. All stations in the section, stops and level crossings will be renovated high level platforms built, as well as new bridges over Aiviekste and Perse constructed. Computerised signalling system, modernised telecommunication and power supply systems will be designed and built.

### The main objects of the railway infrastructure complex

No	Name of basic objects of infrastructure complex	Unit of measurement	Total
1.	Extended lengths of railway tracks, incl.:	km	3182,6
	main tracks	km	2206,3
	station tracks	km	818,2
	spur tracks	km	158,1
2.	Turnouts (broad-gauge)	set	3215
3.	Turnouts (narrow-gauge)	set	24
4.	Engineering technical buildings:		
	- bridges	piece	729
	- culverts	piece	1046
	incl. in demounted districts :		
- bridges	gab.	101	
- culverts	gab.	212	
5.	Level crossings (main tracks)	level crossing	469
6.	Train traffic management system:		
	- automatic blocking	km	1054,9
	- semi-automatic blocking	km	654,8
- electric centralisation of stations	station/turnout	164/2523	
7.	Main communication cables	km	3211,1
8.	Wireless communications	km	1784,2
9.	6,10 kV high-tension grid lines	km	1400,9
10.	Communication networks	km	257,4

- Railway infrastructure is maintained by 6 structural units: 3 track divisions and 3 signalling and communication (electro-technical) divisions.
- The main tasks of Technical Management Department and its structural units in the year 2009 were:

- Maintenance of infrastructure in good technical condition to ensure safe train traffic at the set speed;
- Improvement of maintenance technology;
- Precise and accurate planning of investments in conditions when state

budget funds for infrastructure are not anticipated;

- Acquiring and implementation of the newest technologies;
- Efficient technology of acquiring investment.





In 2009, the following reconstruction (modernisation, capital repairs) and maintenance works were carried out:

Reconstruction (modernisation):			
•	Modernisation of hot-box detection system in East-West railway corridor		1463,4 thousands Lats
•	Modernisation of Signalling Systems in East-West railway corridor		2224,96 thousands Lats
•	Modernisation of track turnouts, ALSN systems and power supply due to modernisation of signalling systems		869,8 thousands Lats
•	Reconstruction of railway tracks	74,8 km	24682,2 thousands Lats
•	Modernisation of electrotechnical equipment		2191,9 thousands Lats
	Incl. modernisation of electrification equipment		413,8 thousands Lats
— renovation:			
•	Capital repairs of B type railway tracks	32,5 km	1383, thousands Lats
•	Replacement of track turnouts	60 sets	2413,2 thousands Lats
•	Repair of engineer-technical buildings and embankment		
•	Operating reconstruction of railway track	24,7km	306,1 thousands Lats
•	Faceting of rails		186,6 thousands Lats
•	Repair of track machines		398,3 thousands Lats
•	Replacement of wooden sleepers	21123 unit 96 turnout-timber sets	
•	Operating repair of SCB equipment		539,0 thousands Lats
•	Operating repair of communications		241,8 thousands Lats
•	Operating repairs of power supply equipment		478,5 thousands Lats
•	Operating repairs of all-electric line equipment and		209,1 thousands Lats



The most significant projects in development and renovation of infrastructure in 2009:

Implementation of the following projects continued:

- Reconstruction of Railway Tracks in East-West railway corridor.
- Modernisation of Hot-box Detection System in East-West Railway Corridor.
- Modernisation of Signalling Systems in East-West Railway Corridor.

The most significant projects in East-West railway corridor in 2010:

- Reconstruction of Railway Tracks in East-West Railway Corridor, 53 km 18037,7 thousands Lats
- Modernisation of Signalling Systems in East-West Railway Corridor —1309,0 thousands Lats.





## Traffic safety

One of the main priorities in the State Joint Stock Company *Latvijas dzelzceļš* is railway traffic safety. Goal of the Technical Inspection is to provide safe environment of work and work without accidents in the concern. For prevention of railway traffic accidents Technical Inspection is constantly monitoring and controlling observance of Regulations of Railway Technical Maintenance, Labour Safety Law and other normative acts.

Accordingly the Regulations issued by the Cabinet of Ministers No 393, dated October 6, 1998, *Procedure of investigation of railway accidents*, in the year of account 81 traffic safety breach was registered in Latvian Railway. Due to realisation of events to improve traffic safety, in the year 2009 the number of traffic safety breaches decreased per 21% in comparison to the year 2008.

*Latvian Railway* systematically and intensively is working on modernisation of signalling systems, renovation of railway tracks and optimisation of technologies, as well as on actualisation of normative documents in accordance to the demands of European Unions and the overall situation.

In 2009, realisation of projects co-financed by the European Union in the east-West railway corridor continued:

### Modernisation of Hot-box Detection System

Within the project new type of hot-box detection equipment, new light signals, new additional control posts and radio informing systems were installed. In several places on railway tracks equipment for well timed detection of defects during the train movement were installed. Now in section Jelgava - Garoza for detection of wheel defects the equipment operated in test regime. Detecting wheel damages in due time, new systems will lessen the number of possible accidents and will improve traffic safety.





### Modernisation of Signalling Systems

Within this project it will be possible to organise trains in sections by principles of automatic blocking, thus considerably increasing throughput capacity and improving traffic safety. Installed train traffic movement electronic systems allow outdoor signal lights and signalling equipment in locomotives to function interdependently. Similarly the power supply lines and automatic equipment on level crossings were renovated.

### Reconstruction of Railway Tracks in East-West Corridor 2006 – 2010

Reconstruction of railway tracks and engineering structures in the length of 74,84 km was carried out.

In the year of account 60 track turnouts were replaced with new ones, including 27 track turnouts from VAE-Rīga (in accordance to the Cohesion programme) and 33 track turnouts produced in Russia. To reduce the risk of rail breaking, 7 new fault detectors RDM-23, RDM-33, RDM-22 were purchased, technical parameters of which allow detecting inner rail defects very soon.

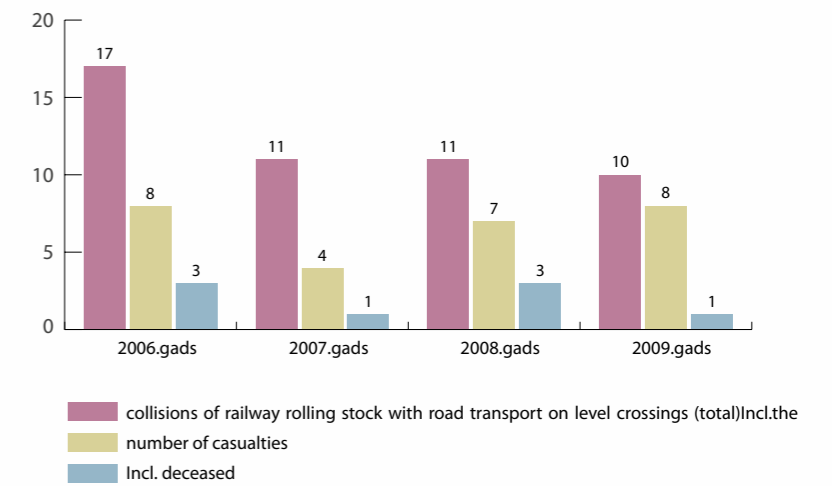
In 2009, computerised complex informative warning delivery system (BIS-K) was successfully implemented, operation of which was positively appreciated by experts from Lithuanian Railway. Many safety campaigns and other activities to inform society were organised, paying special attention to protection of children. Thus the number of accidents involving people has noticeably depleted.



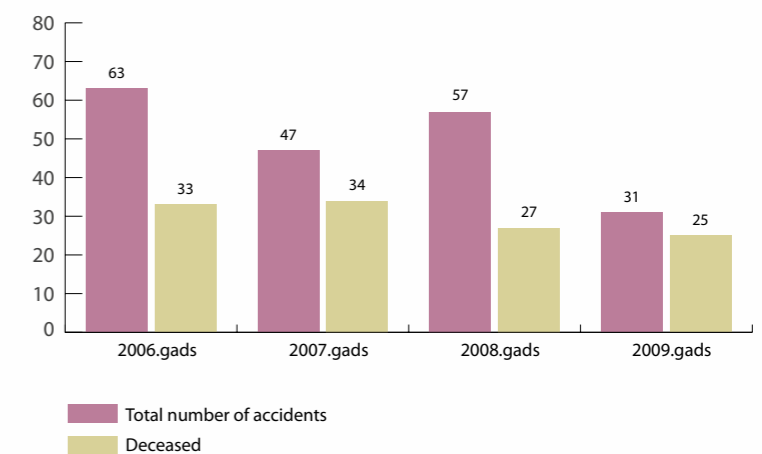
**Breaches of railway traffic safety**



**The number of collisions of railway rolling stock with road transport on level crossings**



**Accidents involving people**





## Real Estate

On October 1, 2009, in State Joint Stock Company *Latvijas dzelzceļš* Real Estate Department was founded. Its work is aimed to increasing of efficiency of management of real estate – to reduce maintenance expenses, to rationalise operation and to optimise the number of employees.

### Commercial Unit

In the year of account expedience of real estate was improved, providing more efficient and rational transfer of lands, buildings and premises not only for railway structural units, but also for other tenants – legal and private persons.

- organising of topographical measurements and compiling of measurement data;
- formation of orthophoto maps;
- maintenance of data base of real estate tax objects and administration of tax.

### Real Estate Registration Unit

In 2009 real Estate Department carried out the following:

- organising of survey of publicly used railway infrastructure right of way and keeping of survey data;
- registration of surveyed land in the Land Register as a property of the Ministry of Transport;
- gathering data on buildings and constructions of *Latvian Railway*;
- registration of real estate in the Land Register;

In the year of account open tender “Cadastral survey of land possessed and owned by State Joint Stock Company *Latvijas dzelzceļš* in the publicly used railway infrastructure right of way in the territory of Latvia” was organised. Subject of the tender was cadastral survey of lands in 2009 – 2010, the total area 10751 ha (it is planned to survey 70% of all publicly used railway infrastructure rights of way owned by Latvian Railway).

In the year of account in the Real Estate State Cadastral Information System land border plans for 20 publicly used railway infrastructure lands (total area 105 ha) were registered. Thereafter they were registered in Land Register.





During surveying of lands, it turned out that in the publicly used railway infrastructure right of way several buildings of unknown belonging are located. To get the situation straight, photographic documentation of these buildings was done.

In total 182 railway stations and stops were photographically documented in data basis of Real Estate Registration Unit. In the year of account this work was continued. In separate cases taking of pictures was carried out repeatedly and in different times of the year. In total photos of 89 stations and stops were repeatedly taken. 17 properties were built and registered in Land Register.

Map Division of Real Estate registration Unit carried out compiling of topographic plans in digital format and on paper, as ordered by *Latvian Railway*. In 2009, topographical survey of an area of 4170 ha was ordered; plans for 166 objects received. In 2009, the making of orthophoto map M 1: 2000 was ordered, on basis

of which digitalised map of historical map of publicly used railway right of way was created.

In co-operation with the Financial Department and Commercial Unit new data base of real estate tax was created. Objects to impose a tax on are input and administered in this data base. In 2009, 1141 object was registered.

In the year of account tax was imposed on 914 buildings for the total amount of 0,21 million Lats, and 209 land units for the total amount of 0,037 millions Lats.

#### Technical Maintenance Unit

In 2009, special attention was paid to improvement of condition of work structures providing the maintenance of signalling systems, as well as to the repairs of premises for the placement of equipment. To this effect reconstruction of Salaspils RPC post building was carried out. Reconstruction was carried out for both facade and

premises, thus resulting in optimal conditions for work and household for the needs of Signalling distance.

Railway bridges have the status of protected objects, therefore each year *Latvian Railway* continues to implement events for protecting bridges. In 2009, barriers for railway bridge over Venta were installed (in section Gluda - Liepaja 154<sup>th</sup> km); the railway bridge over Milgravis canal in section Riga — Skulte (13<sup>th</sup> km); railway bridge over Lielupe in section Riga — Jelgava (43<sup>th</sup> km); railway bridge over Dubna in section Krustpils — Daugavpils (31<sup>st</sup> km) and railway bridge over Aiviekste in section Riga — Krustpils (119<sup>th</sup> km).

For the safety on railway tracks barriers in the most dangerous railway nodes are being mounted. In 2009, projects have been developed and barriers mounted in the territory of Riga passenger station. Technical projects were designed for barriers in the Territory of Jūras Park in Ventspils and in A, B and J parks in Skirotava station. In accordance with these de-

signs in 2010 barriers will be mounted in these territories.

In the year of account several boiler houses were reorganised. For instance, in Skirotava the old coal boiler house was removed in Lokomotives Street 71, and now the Skirotava station building, Administrative building of railway division and MRC post building in Skirotava A Park are heated with electrical power. After modernisation of boiler houses the maintenance costs were reduced.

In the premises of Jelgava railway division and Regional maintenance district automatised liquefied gas boiler houses was built. In Ventspils the coal boiler house was replaced with feat pumps.

Heating system was rebuilt also in Daugavpils railway division buildings in Rezekne. To reduce expenses for heating, the coal boiler house was replaced with electrical power heating.

In 2009, as the previous years, attention was paid to improvement of condition of work and household. To

improve the technical condition of buildings, roofs were repaired, windows and doors replaced, ventilation and sewerage systems renovated. In accordance with the list of repairs of buildings and constructions in 2009, 240 objects were renovated.

During modernisation of infrastructure and equipment, old and worn out buildings and other objects were gradually written off.

In 2009, from the balance of Regional maintenance district capital assets were deleted (23 buildings, 44 engineering structures, 17 platforms, 6 vehicle units) with the remaining book value 3 542,15 Lats.

The worn out and unused buildings are gradually torn down. In the year of account, involving external providers of services, 25 buildings and constructions were torn down. Old storages are gradually replaced with storage lodges, providing comfort for employees.





## Staff development

The aim of staff management is to attract, develop and maintain professional and loyal personnel that can ensure qualitative execution of tasks and achievement of business goals.

The average number of employees in 2009 was 7112. In comparison with the previous year, the number of employees has decreased per 3,8% due to optimisation and centralisation of administrative functions. 37 % of the total number of employees are women. In comparison with the previous year, the average salary in 2009 has been increased per 1,55 % - it is now 663,60 Lats.

To favour maintenance of knowledge and experience in the railway sector, a new procedure of transfer of employees from one company to another within the concern has been implemented in the concern. The procedure is based on the agreement of both involved companies and employee, and provides social guarantees and retaining of the total length of service in the field. It also includes possibility to supplement the agreement with other conditions essential for both parties.

Traditionally in the railway field business-like and creative social dialogue with the Latvian Railway and Transport Industry Trade Union has been formed. The General Agreement and Labour Collective Agreement of *Latvian Railway* with good reason are considered to be the best in the State. Within the social dialogue a regular work group is acting in *Latvian Railway*. The group represents employer's experts and activists of Trade Union.

In 2009, according to Regulation on honour, tradition to award the best, the most creative and most experienced employees continued. *Latvian Railway* awards are Decoration of Honour, Honour for *Prevention of Accidents*, valuable presents – watches with engraving, papers of Gratitude, Testimonial and Praise, as well as three-grade badges *For life-long work*.

According to the career plan of railway experts, in 2009 a group of emerging managers started their studies in a prestigious institution of railway transport higher education: St.Petersburg Railway University, where in accordance with co-operation agreement, they will receive qualification of railway transport engineers, acquiring intensive external programme.

For maintenance of competence and advancement of qualification of railwaymen the following training was organised:

- Training in workplaces and classes of technical training;
- Programmes of further education in the professional educational institutions of state railway;
- Training and seminars.

In 2009, 1431 person attended centralised training. 1389 of them were employees of Latvian Railway and subsidiary companies, and 42 were clients from other companies



For maintenance of competence and advancement of qualification of railway experts the work on preparation of new study aids and technical literature in official language was finished:

- *Structure of SCB outdoor equipment and principles of technical maintenance: manual for SCB electromechanic;*
- *Automatic brakes of the railway rolling stock;*
- *Microprocessor systems of adjusting of train traffic intervals.*

Educational programmes (secondary education) of railway transport and services for employees of the company are realised by Riga State Technical School and Latgale Transport and Telecommunication Technical School. University education in Latvia can be acquired in Railway Transport Institute in Riga Technical University. *Latvian Railway* has concluded cooperation agreements with all mentioned education institutions. According to these agreements, *Latvian Railway* provides field practice for students in actual places of work and under surveillance of experienced workers. Railway experts are also appointed to work in qualification commissions. The best graduates are offered to work in the

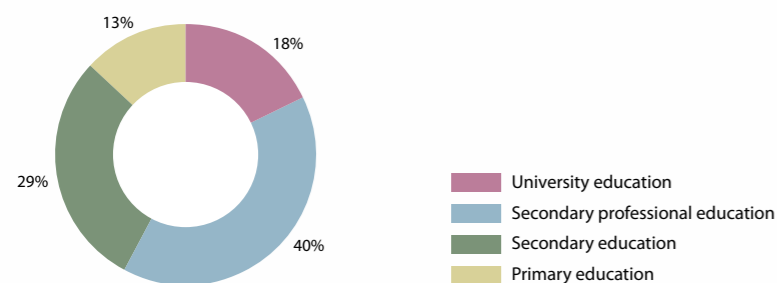
company.

In 2009, 146 students worked in field practice, 128 students were from institutions of vocational education.

The following events were carried out in 2009 to raise professional orientation and prestige of railway trade:

- Participation in project *A Week of Behind-The-Scene-Tours*, within a framework of which 83 students visited facilities of *Latvian Railway*;
- Profile of *Latvian Railway* was created in portal [www.prakse.lv](http://www.prakse.lv), where it is possible to find out about the company and to see short films about the most popular railway professions;
- Published catalogue *A Formula of Luck* containing information on the most topical railway professions. The catalogue was distributed in 230 schools;
- As a result of scientific works' contest 42 scholarships were granted to students of vocational education institutions;
- Participation in *Days of Career 2009* organised by Riga Technical University.

Division of employees according education







## International co-operation

In 2009, State Joint Stock Company *Latvijas dzelzceļš* continued and developed varied co-operation with international railway organisations and foreign railway administrations. Latvian railway lines are part of railway network of European Community, therefore the main task of our company is to favour development and to consolidate our competitiveness in freight traffic both in European and Asian transport corridors.

In 2009 experts from *Latvian Railway* participated in five commissions and three regular work groups of Organisation for Cooperation Railway Lines (OSJD), and were the leading executors in eight OSJD work issues. For instance, revision of OSJD basic documents, Development of regulation of transportation of dangerous freight, reparation of amendments to Agreement on international passenger traffic and Agreement on international freight traffic, and other. Representatives of *Latvian Railway* participated in the activities of the 44th Session of Minister's Convention and the Meeting of Conference of General Managers of OSJD.

*Latvian Railway* is an associated member of Railway Transport Board, which provides large possibilities for

co-operation with partners in the territory of 1520 mm gauge railway, as well as give right to influence decision of the Board. However, the membership does not restrict the freedom of action in execution of decisions made. In 2009 the managers and experts of *Latvian Railway* participated in the work of 50th (Minsk) and 51st (Tashkent) sessions of the Railway Transport Board, where decisions on the most essential issues of the work and development of organisation were made.

At various times the company has received appreciation for its work from railways and organisations of co-operation states: in 2009 *Latvian Railway* received award from the government of Belarus for active co-operation with the Belarus railway, and

contributions of appreciation from RTB for notable investment in co-ordination of cross border railway work.

Important field of development of railway freight traffic is container traffic. In 2009 co-operation with Russian, Kazakhstan, Belarus and Ukrainian railways continued, improving the work of container trains *Baltika Tranzīts* and *Zubrs*. Besides, representatives of the company participated in plenary sessions of TRANS-SIBERIAN Traffic Co-ordination Council.

In the period of account Latvian and Lithuanian railway experts continued their work to come to an Agreement on organisation of railway traffic. This Agreement sets procedure of organization of passenger and freight traffic between border stations of Latvia and Lithuania, and technology how rail-

ways of both states receive and deliver rolling stock and freights.

The work on developing an agreement of co-operation in organising traffic between Latvian and Russian railways, regulating technological processes of passenger, baggage and freight traffic continued.

Since 1992, *Latvian Railway* is an active member of the International Union of Railways (UIC). In 2009 representatives of *Latvian Railway* participated in the work, conferences and work groups of the General Assembly of UIC, where discussed on issues of environment protection, railway traffic safety, and the impact of economical crisis on railway transport. Within the UIC Environment, Energy and Long-term development programme *Latvian Railway* experts participated in the work group *Purification of polluted soil*, as well as in the new project – *Estimation of polluted soil*. Goal of the project is to improve the level of special knowledge and practical experience among the members of UIC,

as well as to work out common strategy and instruments to decrease risks involving polluted soil in future.

In April 2009 the meeting of UIC Financial and Statistical Committee was organised in Riga.

Every year the new experts from *Latvian Railway* take part in UIC SIAFI Europe training. In 2009 three experts participated in the training.

To favour a closer co-operation with the European railways, *Latvian Railway* accessed the Community of European Railways (CER) in 2003. In 2009 our representatives took part in the work of General Assembly of CER, in work groups of infrastructure, freight carriages and passenger carriages, in the meetings of CER assistants, in meetings of communication managers and staff managers. Several meetings with the management of CER were held also in Riga, Brussels, Paris and Berlin.







Infrastructure work group developed principles determining the position of CER in long-term contracts on maintenance and renovation of railway infrastructure, emphasising necessity of such contracts and state co-financing. The work group also suggests specific events that would help to implement such principles in states, where they have not yet been implemented. Suggestions for draft Regulation on competitive freight carriages, involving the principle of voluntary participation in creating of transport corridors in states of 1520 mm gauge railway system, including Latvia. Propositions for improvement of activities of Trans-European Transport Network (TEN-T) have also been worked out, initiating regulations of funding beneficial for railways.

To favour technical and maintenance aspects of interoperability of 1520 mm gauge and 1435 mm gauge

railway systems set out in the EU legal documents, our experts participated in the work group of European Railway Agency and Organisation for Cooperation Railway Lines (ERA/OSJD), working out a document of technical analysis on technical demands for maintenance, design, construction, and evaluation of technical conformity of railway infrastructure. Such technical documents are being prepared also on the issues of traction, rolling stock and railway power supply, which in future will determine new technical standards for common technologies in traffic to third countries.

Taking into account the historical situation in the Baltic States and the necessity to integrate into 1520 mm gauge railway system, *Latvian Railways* together with experts from Lithuania and Estonia coordinated tactics in the system of the EU technical spe-



cifications for interoperability to implement the European strategic plan. This tactics and possible solutions in implementation of traffic information system were discussed together with responsible institution of these states and European Railway Agency, thus obtaining a principal support for commercially oriented activities.

Since 2000, *Latvian Railway* is member of the International Railway Transport Committee (CIT). CIT unites more than 200 partner organisations and among them there are railway companies, infrastructure operators, navigation and road transport companies from the countries where conditions of the Agreement on International Rail Traffic are applied (COTIF). CIT solves the practical realisation issues of COTIF, as well as standardisation of relations of carriers, infrastructure managers and clients. Implementing the common CIT and

OSJD project *Interoperability of CIM/SMGS international transport rights*, experts from *Latvian Railway* and *LDz Cargo Ltd* actively participated in developing of transport regulation of CIM/SMGS. Legally procedural regulations for consideration of claims of CIM/SMGS have been worked out, including disbursement of acknowledged compensations.

In September, 1999, *Latvian Railway* entered the International Organisation for Collaboration among Railway Police and Safety Institutions (COLPOFER) to solve the safety issues in the field of railway carriages more successfully. In 2009 representatives of *Latvian Railway* participated in work groups *Contra-terrorism* and *Safety of Freight Carriages*, as well as in conferences, acquiring the newest tendencies and examples from other railways.





## Latvian Railway history museum

Latvian Railway history museum is a structural unit of *Latvian Railway*, founded on August 30, 1994.

Mission of the museum is to bring about understanding and create a positive attitude towards railway field, its development, typical environment, working skills and tradition in the territory of Latvia from the 1850-ies.



### Aspects:

- Preservation of testimony of Latvian railway history, providing collection, documentation and maintenance;
- Investigation of inventory of the museum and information;
- Ensuring of availability of stored up valuables;
- Ensuring of up-to-date work of the museum.

### Achievements in the year of account:

- Museum continued the work of maintenance and preservation of rolling stock collection. 6 rolling stock units were restored and 4 rolling stock units maintained. In the end of the year 8 maps were restored in accordance with the order of the museum.
- Completion of the permanent exhibition *History of Rolling Stock Units in Latvia Part I*. On March 26, in the White Hall of the museum, the new exhibition was open. The

main emphasis of exposition is steam locomotive of rural railway.

- In collaboration with Vides filmu studija (Environment Film Studio) a 7 minutes long video *Dream Express* was shot, premiere of which took place at the 15<sup>th</sup> anniversary of the museum in former Keipene station during an expedition.
- Auditing of the collection of the museum was commenced. During the auditing 6317 articles of the collection were inspected. Appropriate records were made in the documentation of registration.
- In 2009, the work of the museum was subordinated to involvement in organisation of anniversary of the founding of Latvian state railway. The most important work was preparation of the book *Railways in Latvia*.



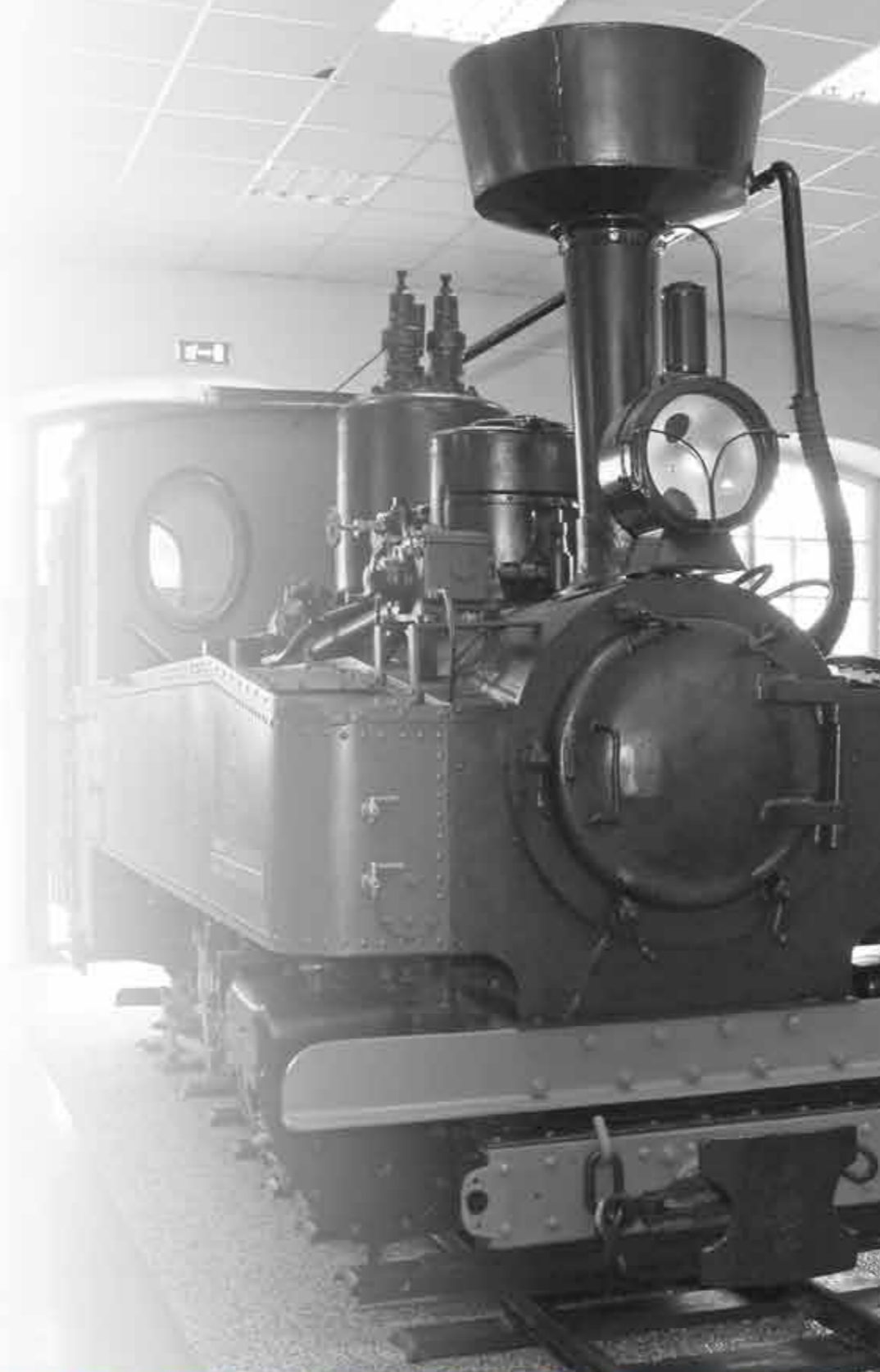




### Research work

Goal of the research work is to inspect information related to the collection of the museum and sources, and to reveal the most essential events in the field of railway transport, developments and consequences in the economic and social life of Latvia since 1850-ies. In 2009 the work on research of the following themes continued: *History of the Rolling Stock in Latvia 1860 – 1991*, *Policy of Management and Staff in Latvian Railways*, *Development of Railway Network 1860 – 1991*. 14 scientific and popular-science works were prepared and published in different Latvian and foreign editions.

In 2009 museum organised international research conference *Latvian Railways: Past, Present, Future*. 22 presentations and reports were read in the conference. 17 presentations were published in separate compilation. Themes of these presentations include development of different railway fields from the beginning until these days. In the end of the year work in the State Archives of Russia was commenced. In this archives information and visual materials about construction of railways in the territory of Latvia in the 19<sup>th</sup> century is stored. Goal of this work is to obtain information on the dawn of Tornakalns station, including the history of museum and Tornakalns station building.



### Accessibility of the museum

Goal of the work is to find a language understandable to modern society, to ensure accessibility of collection of the museum and to create true comprehension of significance and uniqueness of inheritance of Latvian railway history. In 2009 for development of operation of Jelgava exposition Railwaymen Association of Latvia was involved. Its task was to attract its members to organise events and exhibitions in the museum.

In 2009 a number of events and campaigns were organised in the museum to rouse interest in visitors of different age. The largest event, as usual, was *Museum Night*, during which museum in Riga and exposition in Jelgava was attended by 7721 visitor.

In July, expecting the 90th anniversary of Latvian state railway, each Wednesday *Late Nights at the Museum* with safety lessons for children, orientation, meetings with railway modellers and many other activities were organised.

Museum continued its cooperation with Department of Public Relations, organising educational programme *Safety on Railway*. 12 lessons took place in the museum.

In autumn experts from the museum offered new cycle of lectures *On Railway History*. Goal of the cycle is to popularise railway history in Latvia, to attract new enthusiasts of railway history and to develop further co-operation. In the last days of the year a booklet - offer for different groups of visitors (children, students, researchers and railway enthusiasts) was issued.

Goal of the work is to ensure all supporting processes necessary for management and basic activity of the museum to provide qualitative service that agrees with the interests of *Latvian Railway* and society. In the year of account museum has successfully functioned, and processes supporting its basic activity have ensured qualitative service.





## Projects supported in 2009

1. Rauda Special Boarding School
2. Medumi Special Boarding School
3. Irlava Children's Home
4. Riga Special Boarding School No 4
5. Latvian Association of Foster Families
6. Latvia Orphan Foundation
7. Association for Latvian Children with Physical Disabilities
8. Crisis centre of Auce Latvian Association "Namiņš"
9. Support Centre for Children with Special Needs in Aluksne "Saulstarini"
10. Day-care Centre for Persons with Mental Disorders of Department of Social Affairs in Daugavpils
11. Foundation „Mārtiņa fonds”
12. The Social Organisation "Ceribu sparni" for Children in Need
13. Deaf Supporting Foundation "Klusums"
14. Latvian Association of Multiple Sclerosis
15. Liepāja Association of Large Families „Dēkla”
16. Association „Atbalsts Valkas ģimenēm”
17. Daugavpils Association of Creative Intelligence "Dina-Art"
18. Association „Labo darbu aģentūra”
19. Supporting Association of The Centre for Creative Learning ANNAS 2
20. Association of Youth Culture and Aesthetical Education
21. Disabled Persons Association in Aluksne District
22. Disabled Persons Association in Gulbene District
23. Disabled Persons Association in Bauska
24. Support and Assistance Foundation for Victims of Communistic Terror „Sibīrijas bērni”
25. Association „Invalidu un totalitāro režīmu upuru klubs”
26. Latvian Foundation of Industrial Inheritance
27. Association „BEST-Rīga”
28. Nītaure Secondary School
29. Riga Technical University
30. Railway Transport Institute of Riga Technical University
31. Riga Railwaymen School
32. Riga State technical School
33. Latgale Transport and Telecommunication Technical School
34. Rezekne Secondary School No 1
35. Valmiera State Gymnasium
36. Daugavpils University
37. Riga Dom Choir School
38. National Library of Latvia
39. Association „Jauniešu konsultācijas”
40. Riga Federation of Chess
41. Association „Sporta klubs Uzvara”
42. Association „Kultūrizglītība un sports”
43. Latvian National History Museum
44. Museum of Ainaži Naval School
45. Association of Museum of the Occupation of Latvia
46. Association „Māras teātris”
47. Foundation „Svētku fonds”
48. Association „Creativus”
49. Foundation „Ata Kronvalda fonds”
50. Association "Centre of Ethnical Culture "Sūti”"
51. Latvian Association of Book Publishers





## FINANCIAL REPORT



### INDEPENDENT AUDITORS' REPORT

#### **To the Shareholder of SJSC "Latvijas Dzelzceļš"**

#### **Report on the Summarised Financial Statements**

The accompanying summarised financial statements have been derived from the financial statements of SJSC "Latvijas Dzelzceļš" (the Company) for the year ended 31 December 2009, which are prepared in accordance with the Annual Accounts Act of the Republic of Latvia. These summarised financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

We have audited the financial statements of the Company for the year ended 31 December 2009, from which these summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 19 June 2010 we expressed an unqualified opinion on the financial statements of the Company for the year ended 31 December 2009 from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

PricewaterhouseCoopers SIA  
Zvērinātu revidentu komercsabiedrība  
Licence Nr. 5

Ahmed Abu Sharkh  
Chairman of the Board

Lolita Čapkeviča  
Certified auditor in charge  
Certificate No. 120

Rīga, Latvija  
2010. gada 19. jūnijā



Balance of State JSC "Latvijas dzelzceļš"  
as at 31 December 2009 (in LVL)

AKTĪVS	at 31.12.2009.	at 01.01.2009.
<b>1. Long-term investments</b>		
1.1. Intangible investments	915 217	979 175
1.2. Capital assets	235 847 544	241 310 477
1.3. Long-term financial investments	24 809 034	9 101 724
	<b>261 571 795</b>	<b>251 391 376</b>
<b>2. Current assets</b>		
2.1. Inventories	14 345 867	15 605 956
2.2. Debtors	11 443 876	14 280 324
2.3. Cash	11 563 407	5 587 741
	<b>37 353 150</b>	<b>35 474 021</b>
<b>Balance</b>	<b>298 924 945</b>	<b>286 865 397</b>
<b>LIABILITIES</b>		
<b>1. Shareholder's equity</b>		
1.1. Share capital	114 628 593	90 168 321
1.2. Reserves	748 747	24 922 272
1.3. Retained profit of the year of account	1 270 073	1 433 734
	<b>116 647 413</b>	<b>116 524 327</b>
<b>2. Accruals</b>	<b>9 479 815</b>	<b>16 366 343</b>
<b>3. Creditors</b>		
3.1. Long-term creditors	132 675 224	121 354 660
3.2. Short-term creditors	40 122 493	32 620 067
	<b>172 797 717</b>	<b>153 974 727</b>
<b>Balance</b>	<b>298 924 945</b>	<b>286 865 397</b>

Riga, 17 June 2010


Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

Member of the Board



U. Magonis

E. Kočāns

A. Strakšas

Ē. Šmuksts

A. Šteinbriks

Profit or loss statement of State JSC "Latvijas dzelzceļš"  
for the year 2009 (in LVL)

(method of turnover costs)

Indicator	2009. year
Net turnover	146 459 536
Production costs of sold output	(127 328 713)
<b>Gross profit (from turnover)</b>	<b>19 130 823</b>
Administration expenses	(15 188 536)
Other income from economic activities	18 112 599
Other costs of economic activities	(17 917 763)
Income from participation (shares) in the capital of subsidiaries and associate companies	549 354
Other interest and related income	439 926
Interest payments and related expenses	(1 927 970)
<b>Profit before taxes</b>	<b>3 198 433</b>
Enterprise income tax	(2 068 310)
Deferred enterprise income tax	(508 849)
Other taxes	(368 899)
<b>Profit of the reporting period after taxes</b>	<b>1 270 073</b>

Riga, 17 June 2010

Chairman of the Board

Member of the Board

Member of the Board

Member of the Board

Member of the Board



U. Magonis

E. Kočāns

A. Strakšas

Ē. Šmuksts

A. Šteinbriks



# LDz CARGO Ltd



## BOARD

**Guntis MAČS**  
Chairman of the Board



**Vladimirs GRJAZNOVS**  
Deputy Chairman of the Board,  
Member of the Board



**Inese KLEINBERGA**  
Member of the Board



**Aleksandrs KAZAČKOVVS**  
Member of the Board



**Andris REKIS**  
Member of the Board





## Freight and Passenger Carriages

*LDz Cargo Ltd* is a subsidiary enterprise of the State Joint Stock Company *Latvijas dzelzceļš*, founded on July 5, 2007. The main activities of the company are railway freight traffic, and it is the 5<sup>th</sup> largest railway freight carrier in the European Union, and the largest in the Baltic States. For freight traffic the company uses East-West and North-South transport corridors. The company operates in SMGS and CIM environment.

### Economic activities

The company has established co-operation with more than 3800 clients, who represent freight owners, stevedore companies and forwarder companies. In addition the company provides also the services of international passenger carriage and baggage carriage.

Subsidiary company of *LDz Cargo Ltd* - *LDz Cargo Loģistika Ltd*, founded in 2008, - continues to work successfully. Goal of this company is to improve client service and to ensure that the infrastructure of Latvian transport and transit is used to the utmost. The main function of the company is to expand the range of freight traffic services and to offer its clients unified modal service – *From door to door*.

*LDz Cargo Loģistika Ltd* is an official agent of the open Joint Stock Company *Transkonteiner* in Latvia.

### Freight traffic

In 2009, the company carried 53,679 million tonnes of freight. In comparison with the year 2008, when the turnover of freight traffic reached its record, in the year of account it decreased per 4,2%.

Container carriages rapidly increased, and in the end of the year 2009 was 34,8% more in comparison with the year 2008. In total in the year of account 71142 TEU container units were carried. The volume of freight carried from USA to Afghanistan through Latvia in the year of account was 3416 TEU container units.

In June 2009, the common project of Latvian railway and Belarus railway – line of container train *ZUBR* – was commenced. Operator of this project in Latvia is *LDz Cargo Loģistika Ltd*. On this line export and import freight has been carried to and from Belarus

Republic. In the year of account 465 TEU container units were carried on the line *ZUBR*.

In the year of account 14630 TEU container units were carried on the line *Baltika Tranzit*, the goal of which is Kazakhstan and other states of Central Asia. By the end of the year 2009 the company had 5808 freight wagons at its disposal, which is per 16,4% more than in the beginning of the year. Of these 4993 freight wagons were hired from the holding company of the concern, but 815 freight wagons were purchased.

### Hired freight wagons

Type of wagon	Units
Covered wagons	1289
Universal flatcars	74
Gondolas	1123
Cistern wagons (4 axle)	1064
Cistern wagons (8 axle)	153
Isothermal wagons	27
Corn hopper wagons	643
Transporters	4
Cement hopper wagons	119
Fitting platforms	417
Refrigerator wagons	61
Refrigerator wagons (servicing)	16
Other	3
<b>TOTAL:</b>	<b>4993</b>

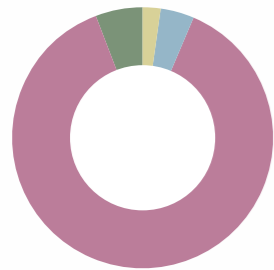




**Purchased freight wagons**

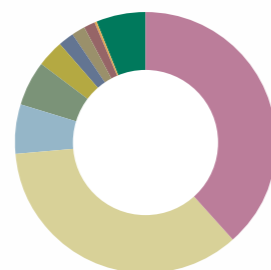
Type of wagon	Model	Units
Covered wagons, 150 m <sup>3</sup>	11-7038	200
Covered wagons, 158 m <sup>3</sup>	11-1807-01	100
Platforms 60'	13-935A-01	100
Platforms 60'	13-935A	15
Platforms 80'	13-7024	200
Corn hopper wagons, 108 m <sup>3</sup>	19-7016	200
<b>TOTAL:</b>		815

**Freight traffic in 2009 (types of freight)**



- Import carriages – 87,73%,  
incl. through seaport stations – 82,1%
- Export carriages – 4,14%,  
incl. through seaport stations – 1,95%
- Terrestrial transit – 5,71%
- Inland carriages – 2,42%

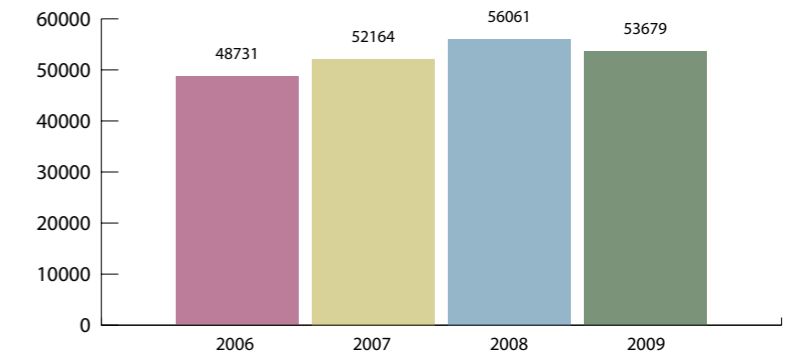
**Proportion of carried freight in 2009**



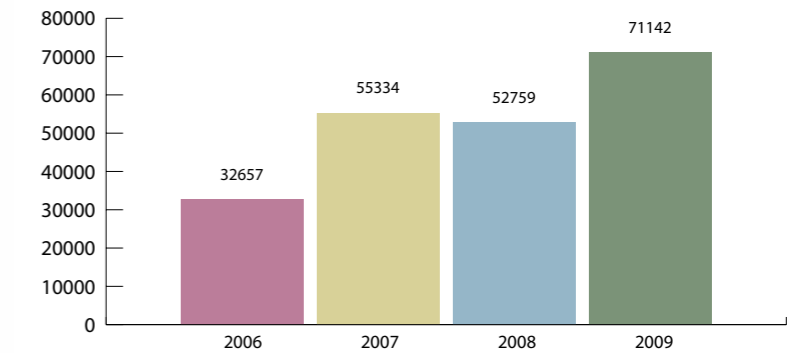
- Oil and oil products – 38,66%
- Coal – 35,32%
- Artificial fertilizers – 6,21%
- Mineral substances – 1,71%
- Timber – 1,13%
- Chemical freights – 5,66%
- Ferrous metals – 3,27%
- Sugar – 0,14%
- Corn and breadstuff – 2,00%
- Other – 5,90%



**Volume of freight carried (thousands tonnes)**

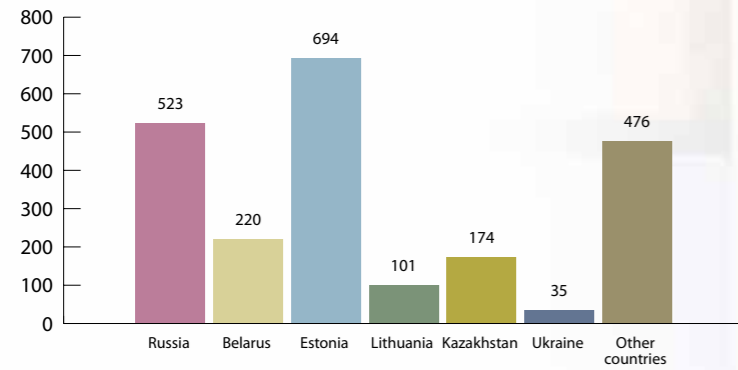


**The number of carried TEU container units**

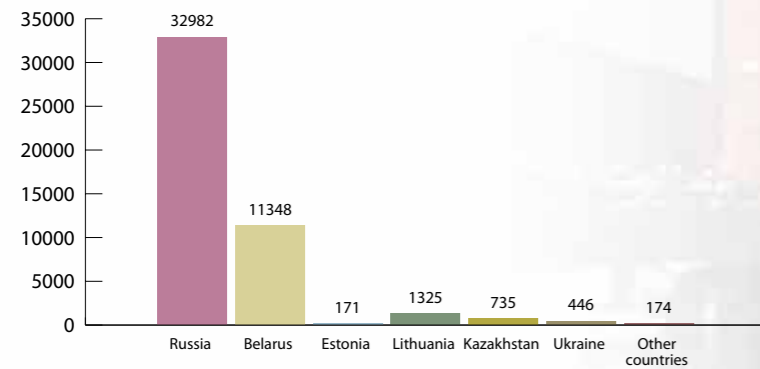




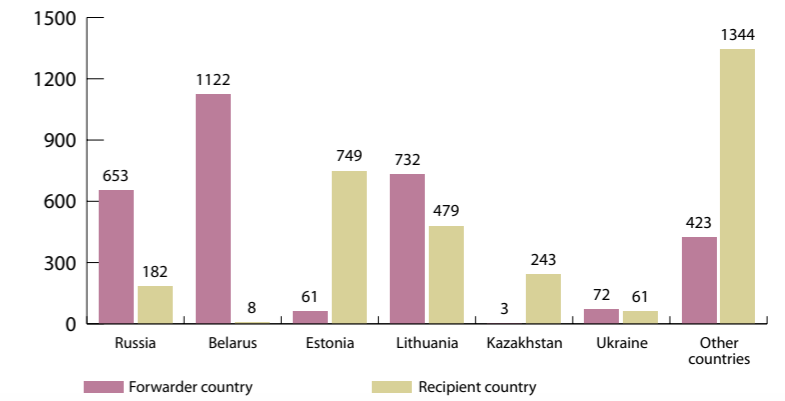
**Volume of export freight carriages by recipient countries in 2009 (thousands tonnes)**



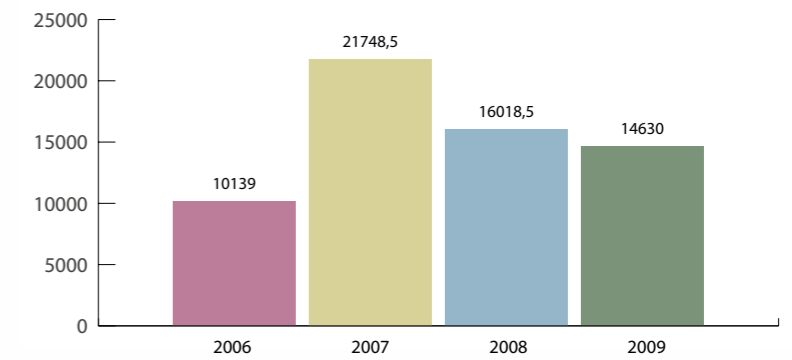
**Volume of import freight carriages by forwarder countries in 2009 (thousands tonnes)**



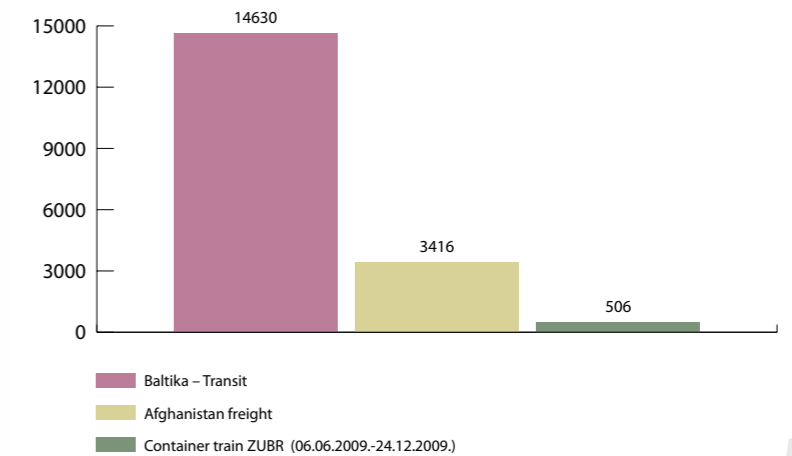
**Terrestrial transit in 2009 (thousands tonnes)**



**The number of TEU container units carried by Baltika Transzit**



**The number of TEU container units carried by separate lines in 2009**





### International passenger traffic

In the year of account international passenger traffic in Latvia on railway is provided by State Joint Stock Company *Latvijas dzelzceļš* and *LDz Cargo* Ltd. From March 1, 2009, international passenger traffic is carried out by *LDz Cargo* Ltd. Management of international passenger traffic is being carried out in co-operation with *L-Ekspresis* Ltd – the owner of passenger wagons.

In 2009, international passenger traffic is featured as follows:

- 299 thousands passengers carried;
- in comparison with the year 2008, the number of passengers carried has decreased per 18,3%;
- the turnover of passengers is 69900 thousands passengers/kilometre;
- in comparison with the year 2008, the turnover of passengers has decreased per 19,1%.

For international passenger carriages three passenger trains formed in Latvia are used.

Two trains ran in line Riga - Moscow - Riga, except the period from January 12 to May 24, when only train No 2/1 was running, and the period from October 1 to December 23, when only train No 4/3 was running. In line Riga - Saint Petersburg - Riga all year only one train was running. In trains Riga - Moscow and Riga - Saint Petersburg sleeping cars of higher comfort were included. These trains also have a business class compartment.

Within the territory of Latvia in line Riga - Moscow, in co-operation with Joint Stock Company *Telekom Baltija* and *L-Ekspresis* Ltd, passengers were provided a possibility to use wireless internet services in all sleeping cars and compartment carriages. In 2010 this service is planned to be included in line Riga - Saint Petersburg.

Besides these trains, another train formed in Lithuanian railway ran in the territory of Latvia in transit line Vilnius - Saint Petersburg - Vilnius.

21 thousand passengers chose international passenger trains to commute within the territory of Latvia, which is per 19518 passenger or 48,1% less than in 2008. In the period of account the turnover of passengers in inland traffic was 4,7 million passengers/kilometres. In 2008 the number was 9,1 million passengers/kilometres, which is 48,4% less.

The average distance in the territory of Latvia in international passenger trains has decreased per 1,1 km (233,8 km).

In 2009, three pairs of diesel-engine trains (provided by Joint Stock Company passenger Train) were running in line Riga - Valga - Riga in the direct passenger traffic between Latvia and Estonia.



### Staff

The company employs approximately 3000 people, who are highly qualified and experienced in the railway sector. In total there are 172 professions: machine operators, train compilers, refrigerator mechanics, commodity cashiers, train and freight train attendants, persons on duty in maintenance workshops, book-keepers, accountants, engineers, logistics and marketing experts, and other. The company employs people almost in the whole territory of Latvia, mainly in the regions of Riga, Daugavpils and Ventspils. Employees are appreciated for lifelong work, for execution of plan, for implementation of new technologies, etc. Education of railwayman can be acquired not only in Latvia, but also abroad.

### The most important events

- LDz Cargo Ltd expanded its wagon park per 815 wagons.
- in the year of account 4 new container train lines were established:
  - container train ZUBR Riga (Latvia) — Novopolock (Belarus);
  - line Latvia — Russia — Kazakhstan — Uzbekistan — Afghanistan (forwarders Nurminen Maritime Latvija and Rinella Serviss).
  - Line from Kazakhstan to Riga Sea Port: Ženiške/Aksu 1 (Kazakhstan) — station Riga Krasta;
  - line station Riga Krasta — Pavlodar (Kazakhstan).
- on February 26, 2009, LDz Cargo Ltd in the State railway Technical Inspection of the Republic of Latvia received B part of Safety Certificate of Railway Carriages, which gives right to carry out both freight and (starting from February 27, 2009) international passenger carriages.





# LDz INFRASTRUKTŪRA Ltd



## BOARD

**Ainis STŪRMANIS**  
Chairman of the Board



**Valdemars DAĻECKIS**  
Deputy Chairman of the Board



**Lolita SMILTĻIECE**  
Member of the Board



**Marina KABAĻSKA**  
Member of the Board





## Construction and repairs of railway tracks

The main task of the subsidiary company of State Joint Stock Company *Latvijas dzelzceļš, LDz infrastruktūra Ltd* is construction and capital repairs of railway tracks, technical repairs of railway tracks, rail welding services, as well as repairs and technical servicing of railway track machines. The company was registered in the Register of Enterprises on December 8, 2005. Alterations in constitutive documents were done on July 3, 2007.

### Aspects:

- Renewal, repairs and construction of railway tracks and bridges;
- Replacement of track turnouts;
- Repairs of railway machines, tools and mechanisms;
- Repairs and modernisation of wagons;
- Repairs of nonstandard equipment;
- Welding of rails;
- Manufacturing of transitional rails and isolating joints;
- Transportation of long rails;
- Installing of water drainage systems;
- Improvement of the technical condition of embankment.

We are also carrying out the repairs of trucks in accordance with the certificate issued by Plasser & Theurer (including the warranty period).

### Structural units:

- *LDz infrastruktūra Ltd* Riga department;
- *LDz infrastruktūra Ltd* Daugavpils department;
- *LDz infrastruktūra Ltd* Jelgava department;
- *LDz infrastruktūra Ltd* Rail welding centre.

### Economic Activities

In the year of account the company acquired 91,9% of all planned incomes, at the same time expending just 90,2% of the planned expenses.

Renovation of A-type railway track in east-West railway corridor (total length – 75 km) was carried out within the Cohesion programme. Within this programme also 40 track turnouts were installed and repairs of B-type railway track (total length 9 km) was carried out.

Demounting of 364,85 km of railway track was carried out after the order of *Latvian Railway; 33773*, 6 tonnes of metal were disposed. In Bolderaja station railway tracks were extended, and, when reconstruction of Indra station was carried out, track turnouts and railway tracks were reinstalled. In section Indra – State Border huge work of surfacing (6,5 km) and reconstruction of engineering technical buildings were carried out.

In the year of account the company provided its services also for other companies unrelated to the concern.

In co-operation with *CEMEX Ltd* in Brocēni new railway access road *KILN 5* was built. Within the reconstruction of Daugavpils road transport nod 6 km of detour road were built.

Economic activity of the company was influenced by the works carried out in addition to the planned ones: for the companies of the concern – 164,6 thousands Lats, for other organisations – 223,0 thousands Lats.

Considerable economy was achieved as to administrative expenses and payments for consumption of electricity.

### Staff

Co-operation with the Austrian company *Plasser&Theurer* continued successfully, providing certified employees of the company wider acquiring of information so that the repairs and maintenance of track machines can be done more efficiently.

Now the qualified employees of *LDz infrastruktūra Ltd* are the only such experts in the field in Latvia.

When the works of track repairs



were commenced, 52 mounters of railway tracks were hired to ensure the compliance of works to be carried out to the demands of technological processes. In the end of the year 2009 467 employees worked for the company, 24% of which are women, and 76% - men. The average age of employees is 43 years.

### Investments for development

In the year of account management of the company worked actively to find possibility to attract additional investments for renovation of the small mechanisation park. It involves purchase of truck of increased transit for delivery of instruments and equipment in objects; it also is necessary for replacement of old trucks in Jelgava and Daugavpils divisions.

The company also invested in increasing of efficiency of administrative activities. Documentation programme *Doc Logix* was purchased and installed and modernisation of electronic technologies carried out. These investments optimised the flow of documentation: the number of documents was reduced, but the volume of documents submitted electronically

ly increased, which gave possibility to carry out control of documents more efficiently.

### Strategy of development

The main direction of development and long-term projects of the company until the year 2015 include:

- providing of throughput capacity of East-West railway corridor infrastructure, accordingly the increase of freights;
  - providing of competitive prices of services;
  - compliance of the quality of railway infrastructure and traffic safety to the demands of Regulations of Technical Maintenance;
  - services of repairs of infrastructure for private providers of railway tracks;
  - increasing of qualification of staff.
- Projects:
- construction of the second track in section Riga - Krustpils;
  - reconstruction of Riga railway nod;
  - construction of the second track in section Daugavpils - Indra;
  - construction of two exchange points in section Krustpils - Daugavpils;
  - reconstruction of Liepaja station.





# LDz RITOŠĀ SASTĀVA SERVISS Ltd



## BOARD

**Aivars MURAVSKIS**  
Chairman of the Board



**Mārtiņš EMSIŅŠ**  
Member of the Board



**Genādijs RJAZANCEVS**  
Member of the Board



**Anatolijs GRIGORJEVS**  
Member of the Board





## Repairs of locomotives and wagons

LDz ritošā sastāva serviss Ltd. (Rolling Stock Service (RSS)) is a subsidiary enterprise of SJSC Latvijas dzelzceļš. It started its operation on July 5, 2007. The main directions of operation are repairs service and maintenance of locomotives and wagons, equipping of locomotives, as well as storage and realisation of fuel.

### RSS consists of two structural units:

**Locomotive Repair Centre**, that deals with:

- Technical maintenance, running, average and main repairs for freight, passenger and shunting diesel-engine locomotives;
- Technical maintenance and running repairs for track machines of the infrastructure;
- Purchase, storage and realisation of fuel;

**Wagon Repair Centre**, that deals with:

- Depot and capital repairs of freight wagons;
- Depot repairs of freight wagons with prolongation of time of maintenance, and modernisation of it;
- Repairs of narrow-gauge passenger wagon depot;
- Repairs of wagon wheels with replacing of elements;
- Survey and repairs of wagon units and nodes, including automatic brakes and auto-couplings.

### In the structure of RSS there are laboratories (located in Riga):

- Laboratory of complex control and measurements carries out repairs and calibrating of geometrical (patterns, micrometres etc), pressure (manometers, thermometers and the like) and electronic parameter control (voltmeters, ampere metres, megommetres etc)..
- Chemically-technical laboratory carries out quality assurance audit for purchased fuel, oil and grease as well as conformity of the aforesaid to the demands of technical conditions. Laboratory also deals with control of storage of greasers, testing of samples, everyday and periodical control of diesel-engine coolants, and materials for sand and fault detection according to the demands of standard LVS EN ISO/IEC 17025. Besides the existing, the measuring of work environment vibration was acknowledged in accordance with the demands of LVS standard and the rules of the Cabinet of Ministers.

### Economic activities

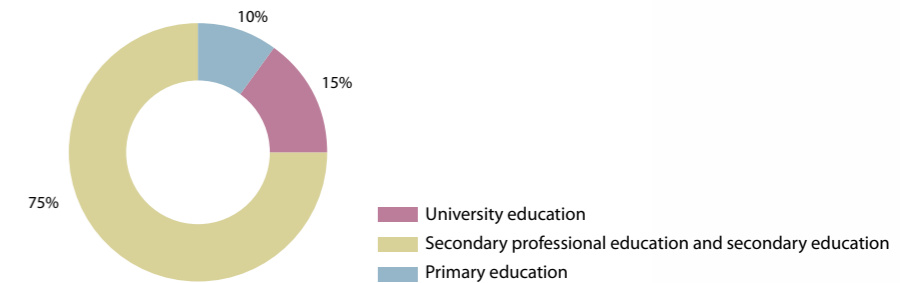
In the year of account in Wagon Repairs Centre capital repairs of 143 wagons, depot repairs of 2275 wagons and repairs of 174 privately owned wagons was carried out.

In Locomotive Repairs Centre technical maintenance of 30698 diesel-engine locomotive sections, running repairs of 459 sections, average repairs of 23 sections and main repairs of 6 sections was carried out. New type of service was acquired – technical maintenance and carrying out of the running repairs of 2TE116-series diesel-engine locomotives.

### Number of employees, characteristics of staff, level of education

As to the number of employees, RSS is one of the largest subsidiary companies of Latvian Railway. In the end of the year 2009 1470 employees worked in RSS, 73% of which are men. The average age of employees is 45 years.

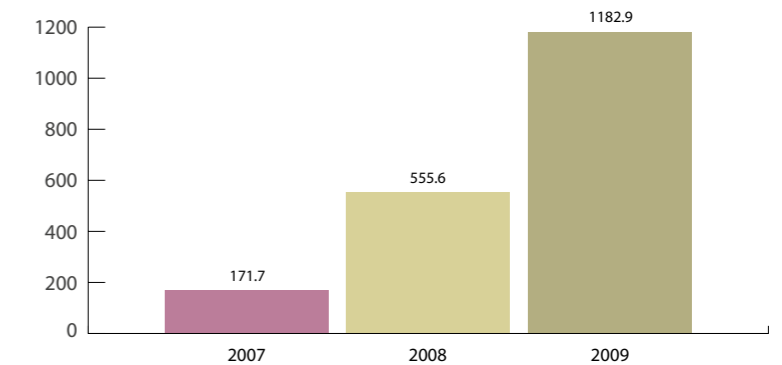
### Division of employees according to education



### Investments in development

The company in the period of account has invested 1182,9 thousand Lats for reconstruction, modernisation and capital repairs and construction.

### Scope of investments 2007 – 2009 (thousands Lats)





### The most important events

In 2009 modernised equipping point in Riga district of Locomotive Repairs Centre was put into operation. This equipping point was constructed, taking into account demands of ecological and environmental protection standards set by the European Union.

In Locomotive Repairs Centre construction works involving demounting of out-of-date subterranean oil storages and construction of new oil storage were completed. Next to the storage ecologically safe oil discharging place from railway cisterns was fixed up.

In Daugavpils the 3<sup>rd</sup> stage of reconstruction of equipping house was commenced. It is planned to build equipment for mixing of fossil diesel and bio-diesel, as well as construction of bio-diesel storage for preservation of bio-diesel and its further mixing with fossil diesel, using the method of stream. It is planned to complete the project until spring of 2010.

Territories of Daugavpils Locomotive Repairs Centre and Wagon Repairs Centre in 2009 were equipped with television surveillance systems that

allow increasing of safety in strategic objects, where operations with excised goods are carried out. In these objects also reserve of state and company's diesel is preserved.

On October 14, 2009, RSS introduced with modernised shunting diesel-engine locomotive TGM23BV-1633 owned by *Latraps*. This is the first locomotive modernisation of which was carried out in co-operation with Estonian company *Baltic Marine Group* in Riga district of Locomotive repairs Centre. New diesel engine *Penta* produced in concern *Volvo* is mounted in the modernised locomotive, thus this locomotive can be considered the most environment friendly locomotive in Latvia.

In the year of account in Wagon Repairs Centre reconstruction of wagon wheel workshop was commenced, in order to give new type of service in future - repairs of wagon wheels with replacing of elements. Further on this work will be done without buying this service from other companies. For realisation of the project the necessary equipment and machines have al-



ready been purchased, technological process has been acquired and staff trained, because such work demands large responsibility and preciseness. The new service is planned to be rendered starting from the first half-year in 2010.

In the end of 2009 Latvian Railway increased share capital of RSS per 15, 8 millions Lats, including in it 84 arterial diesel engine locomotives. Consolidation of assets will favour possibilities of receiving loans for development and modernisation of RSS repairs base, which will give wider options for renovation of traction rolling stock fleet, obtaining new, modern, up-to-date technologies. It will also be possible to maintain the technical condition of all technologies in accordance with demands of traffic safety.

In Chemically-technical laboratory Inspection group was formed to carry out inspection of railway cistern-wagons in compliance with standard LVS EN 12972 Cisterns of transportation of Dangerous Freights. Testing, Inspection and Labelling of Metal Cisterns. Implementation of LVS EN

17020 was commenced in order to accredit laboratory in 2010.

### Financially - economical ratios

In the end of 2009 the net turnover of RSS was 66 755,9 thousand Lats. In comparison with the year 2008, the net turnover has decreased per approximately 19,9%, however, optimising expenses of workforce and materials, RSS has in total turned down the production costs per 22,2%, as a result of which the gross turnover in 2009 is per 16% larger than in 2008, and it was 5 840,7 thousand Lats.





## LDz APSARDZE Ltd



### BOARD

**Arnis MACULEVIČS**  
Chairman of the Board





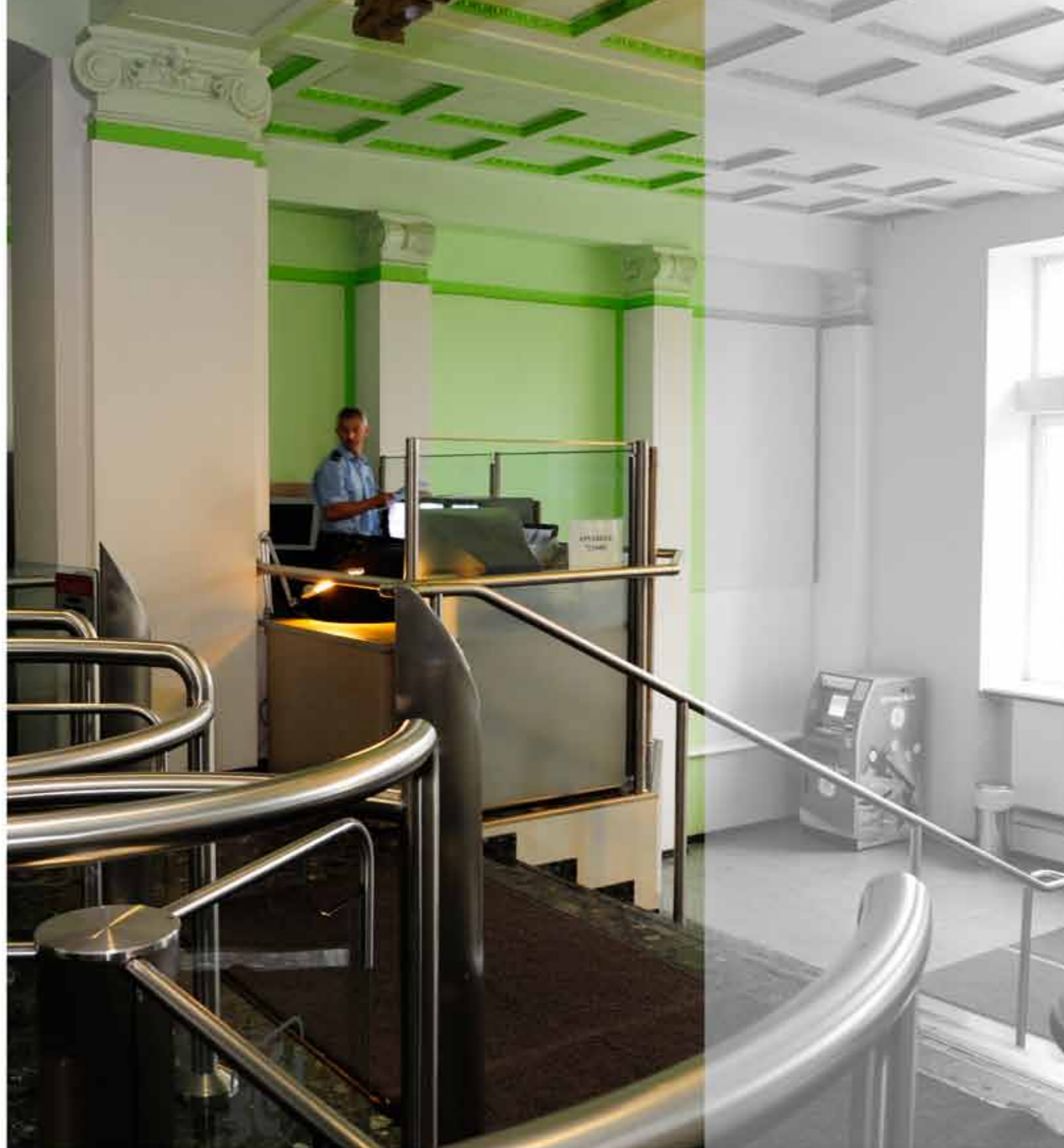
## Security services

Subsidiary company *Dzelzceļa apsardze Ltd* (Railway Security) of State Joint Stock Company *Latvijas dzelzceļš* was founded in February 21, 2003. On December 16, 2007, name of the company was changed to *LDz apsardze Ltd* (LDz Security). The company has received a special permit of second category. Chairman of the board is Arnis MACULEVIČS. The basic activities of *LDz apsardze Ltd* are security services and investigation.

Quality management system is established in *LDz apsardze Ltd* so that the company would be able to provide high quality services. In February, 2006, *LDz apsardze Ltd* received ISO 9001:2000 certificate.

Mostly the services are provided for the companies of the concern, but among the clients of the company are also other companies, private persons, local government companies, public organisations.

The company provides its services in almost the whole territory of Latvia. The main office and Riga security group are located in Riga, but the regional groups are located in the largest cities of Latvia - Daugavpils, Rezekne, Jelgava, Ventspils and Liepaja. The company has successful co-operation with clients, the work is being developed on an on-going basis, taking into account conformity to national laws and innovations in security services. Assessment of co-operation partners and suppliers is being carried out very carefully. Highly qualified employees and modern technologies allow providing of a wide spectrum of physical and technical security services for the safety of our clients and their property. The company also provides consultations on the possible solutions of implementa-



tion of services.

*LDz apsardze Ltd* offers the following services:

### Physical security:

- Guarding of freights;
- Guarding of buildings and territories;
- Providing of permit regime;
- Providing of security services in public events;
- Patrol;
- Bodyguard services.

### Technical security:

- Design of security and fire-security systems;
- Mounting and servicing of security and fire-security systems;
- Television surveillance, including remote surveillance;
- Design, mounting, servicing and providing of admission systems;
- Reacting of mobile groups to alerts.

In 2009 the company successfully continued its development. Nett turnover of the company in 2009 increased per 687,10 thousand Lats; profit (before taxes) increased per 82,52 thousand Lats.

The company has increased the number of its clients beyond the companies of the concern. Income for the services of Technical security decreased, because decreased the amount of installing of technical security systems, however, the number of clients increased. The company participated in realisation of several large projects, providing the services of designing, installing and maintenance of security and fire security alarm. The number of freight to be guarded in 2009 was persistent. Regardless of the fact that clients more often choose the services of technical security, the number of physical security services has also increased.

Amount of work increased several times. Since the number of attempts of theft increased, also the number of prevented law breaks and detained lawbreakers increased. Attention was paid to preventive events to reduce the number of possible thefts.





#### Most important events:

- Successful co-operation with Riga City Council on providing security services for a group of objects;
- Equipping of several objects important for the national safety with security systems, and providing of security;
- prolongation of the term of ISO 9001:2000 certificate;
- Implementation of the resource management software SAP;
- Improved technical equipment;
- Implementation of new product for technical security services:
  - Remote television surveillance;
  - Installation of access and control systems;
  - Installation of wireless television surveillance systems;
- new units of operative response established;
- New wage system developed;
- Changes in the structure of the company;
- The number of objects of technical security essentially increased in Daugavpils, Jelgava and Rezekne;
- Renovation works in the main office building were carried out;
- New technological equipment was put into operation.

#### Staff

In the end of the year of account 399 employees worked for the company.

The company workers have to complement high professional demands. To start working in the company, applicant must have a security certificate, good knowledge of state language and the Russian language, as well as good skills of communication. Previously in the field large fluidity of staff was very characteristic due to increase of salaries in other companies, but in the year of account the number of employees wishing to interrupt employment relationships decreased. All employees must pass the exam to obtain a certificate of railway expert issued by the Technical inspection of *Latvian Railway*.

The company has provided for its workers good work conditions, for instance, facilitated service premises, all social guarantees, health insurance, and insurance in cases of accidents. Professional skills of employees are regularly evaluated, as well as training for professional development is organised. Training is organised in the company, in the training Centre of *Latvian Railway*, as well as in other appropriate educational institutions.

#### Development

The strategic development of the company is based on offering new services to its clients. It is planned to increase the number of services provided in regions and Riga, attracting new clients, enhancing the territory to be serviced and sustaining the level of quality.

#### Main tasks:

- To provide high quality of services;
- To increase the proportion of technical security;
- To increase the work with external clients;
- To provide positive cash flow.

#### Long-term main tasks:

- To adjust the prices of services to economical situation;
- To improve the technical equipment;
- To implement the newest technologies;
- To reduce the time for reacting to alerts;
- To improve methodology of evaluating of possible factors of risk.

To achieve the main tasks, in the year 2010 it is planned:

- to create new operative units;
- to improve interaction of structural units;
- to modernise the central security panel;
- to centralise all services of technical security;
- to sustain the number of provided services beyond the company;
- to pass over from requirement of standard ISO 9001:2000 to ISO 9001:2008;
- to improve materially-technical basis.







## CONSOLIDATED FINANCIAL REPORT



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Facsimile +371 6783 0055  
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### INDEPENDENT AUDITORS' REPORT

**To the Shareholder of SJSC "Latvijas Dzelzceļš"**

#### **Report on the Summarised Consolidated Financial Statements**

The accompanying summarised consolidated financial statements have been derived from the consolidated financial statements of SJSC "Latvijas Dzelzceļš" and its subsidiaries (the Group) for the year ended 31 December 2009, which are prepared in accordance with the Consolidated Annual Accounts Act of the Republic of Latvia. These summarised consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on whether these summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

We have audited the consolidated financial statements of the Group for the year ended 31 December 2009, from which these summarised consolidated financial statements were derived in accordance with International Standards on Auditing. In our report dated 19 June 2010 we expressed an unqualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2009 from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the period and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

Ahmed Abu Sharkh  
Chairman of the Board

Lolita Čapkeviča  
Certified auditor in charge  
Certificate No. 120

Rīga, Latvija  
2010. gada 19. jūnijā



Consolidated balance of State JSC "Latvijas dzelzceļš"  
as at 31 December 2009 (in LVL)

ASSET	at 31.12.2009.	at 01.01.2009.
<b>1. Long-term investments</b>		
1.1. Intangible investments	930 602	1 000 326
1.2. Capital assets	288 018 167	251 269 701
1.3. Long-term financial investments	347 450	347 450
	<b>289 296 219</b>	<b>252 617 477</b>
<b>2. Current assets</b>		
2.1. Inventories	23 881 239	27 735 997
2.2. Long-term investments for future sale	-	10 882
2.3. Debtors	16 562 024	17 142 927
2.4. Cash	24 022 338	30 313 968
	<b>64 465 601</b>	<b>75 203 774</b>
<b>Balance</b>	<b>353 761 820</b>	<b>327 821 251</b>
<b>LIABILITIES</b>		
<b>1. Shareholder's equity</b>		
1.1. Share capital	114 628 593	90 168 321
1.2. Reserves	19 708 430	32 168 376
1.3. Retained profit of the previous years	779 599	441 299
1.4. Retained profit of the year of account	5 860 383	13 353 520
1.5. Minority interests	-	7 838
	<b>140 977 005</b>	<b>136 139 354</b>
<b>2. Accruals</b>	<b>18 284 371</b>	<b>20 155 608</b>
<b>3. Creditors</b>		
3.1. Long-term creditors	142 765 415	121 806 811
3.2. Short-term creditors	51 735 029	49 719 478
	<b>194 500 444</b>	<b>171 526 289</b>
<b>Balance</b>	<b>353 761 820</b>	<b>327 821 251</b>

Riga, 17 June 2010

Chairman of the Board

U. Magonis

Member of the Board

E. Kočāns

Member of the Board

A. Strakšas

Member of the Board

Ē. Šmuksts

Member of the Board

A. Šteinbriks

Consolidated profit or loss statement of State JSC "Latvijas dzelzceļš"  
for the year 2009 (in LVL)

(method of turnover costs)

Indicator	2009. year
Net turnover	284 826 470
Production costs of sold output	(243 187 487)
<b>Gross profit (from turnover)</b>	<b>41 638 983</b>
Administration expenses	(24 447 735)
Other income from economic activities	16 023 716
Other costs of economic activities	(23 257 912)
Income from participation (shares) in the capital of subsidiaries and associate companies	549 354
Other interest and related income	773 456
Interest payments and related expenses	(2 083 517)
<b>Profit before taxes</b>	<b>9 196 345</b>
Enterprise income tax	(3 084 117)
Deferred enterprise income tax	(140 792)
Other taxes	(392 637)
<b>Profit of the reporting period after taxes</b>	<b>5 850 383</b>

Riga, 17 June 2010

Chairman of the Board

U. Magonis

Member of the Board

E. Kočāns

Member of the Board

A. Strakšas

Member of the Board

Ē. Šmuksts

Member of the Board

A. Šteinbriks





## THE MOST IMPORTANT EVENTS

### 2009 – The year of 90<sup>th</sup> anniversary of Latvian Railway



The first high level platform in station point *Dendrārijs*

**January 16.** State commission in station *Dendrārijs* (section Riga – Skrīveri) commissioned the first high level platform. It differs from other existing platforms (height 20 cm) in Latvia with its height – it is 55 cm above the rail head. Such height of platform is set by the standards of European Union. Experimental platform is of metal construction, which is equipped with supporting banister, and the surface of platform is coated with anti-slide covering.



Winners of the competition were awarded with special souvenirs, but children admitted that everyone is a winner

**February 9.** Within the programme of anniversary year employees of Communication Department Māra BAUMANE and Sergejs IVANČEKO were speaking with children from Daugavpils Secondary School No 3 (6th grade) about safety on railway, Latvian railway history and railway in these days. Children found out very much of interesting facts, visiting locomotive and wagon repairs companies.



In the Riga Central Passenger station presented platforms for container transportation. LDz Chairman of the Board Uģis Magonis (second from the right) and government representatives.

**March 9.** Subsidiary company of Latvian Railway - LDz Cargo Ltd in Riga Central Passenger station demonstrated its first 50 recently purchased container platforms. Totally in the rolling stock renovation programme it is planned to purchase 400 such units: 100 60-foot platforms, 200 80-foot platforms and 100 covered wagons. New wagons will essentially improve the rolling stock park and will give opportunity to increase competitiveness of the company.



During an international Conference a book «The Railway in Riga - soul touching reminiscences» was open

**March 26.** One of the most ambitious events of the anniversary year – the international conference- Latvian railways: past, present, future. Railway historians from Latvia, Russia and Estonia, as well as representatives of international railway organizations participated in the conference. In the second half of the day an album of contemporary and historic photographs, prepared by a group of authors and enhanced by poetic essays of Edite Sondovica was presented at the Railway Museum.



Chairman of the Board of Latvian Railway Uģis Magonis opens the first part of exposition Rolling Stock History in Latvia

**March 26.** Within the international conference in the Latvian Railway History Museum opening of the first part of new exposition Rolling Stock History in Latvia took place. New exposition tells about dawn of railway transport, the principles of operation of steam-engine locomotives and about the rolling stock of Latvian railway.



Chairman of the Board of Latvian Railway Uģis Magonis and Member of the Board of Latvian Railway Aivars Strakšas plant a tree in square in Gogoļa Street 3

**April 17.** Within the programme of anniversary year Railway Spring Community Work was organised. In April and May Latvian railway traditionally has the Month of Cleanliness, during which spring community work is being done in all railway nodes to clean all territories after winter. For instance, in Wagon Repairs Centre in Daugavpils the community work has a very romantic designation – Gathering Snowdrops. Latvian Railway this year renovated an old tradition: while the construction of line Gluda – Liepāja trees and decorative shrubs were planted next to newly built buildings, but next to the main office of Latvian Railway a tree - elm – was planted.



Chairman of the Railway Transport Council Vladimirs Jakuņšins awards Chairman of the Board of Latvian Railway Uģis Magonis

**May 21.** In the 50th anniversary of Railway Transport Council in Minsk Chairman of the Board of Latvian Railway Uģis Magonis was awarded for a considerable contribution in co-ordination of international co-operation and railway transport.



President of the Republic of Latvia Valdis Zatlers with spouse Lilita in Jelgava station

**June 29.** State Joint Stock Company *Latvijas dzelzceļš* was visited by the President of the Republic of Latvia Valdis ZATLERS with spouse Lilita. The President became acquainted with the work of the concern Latvian Railway and later visited one of the largest railway nodes in Latvia - Jelgava.



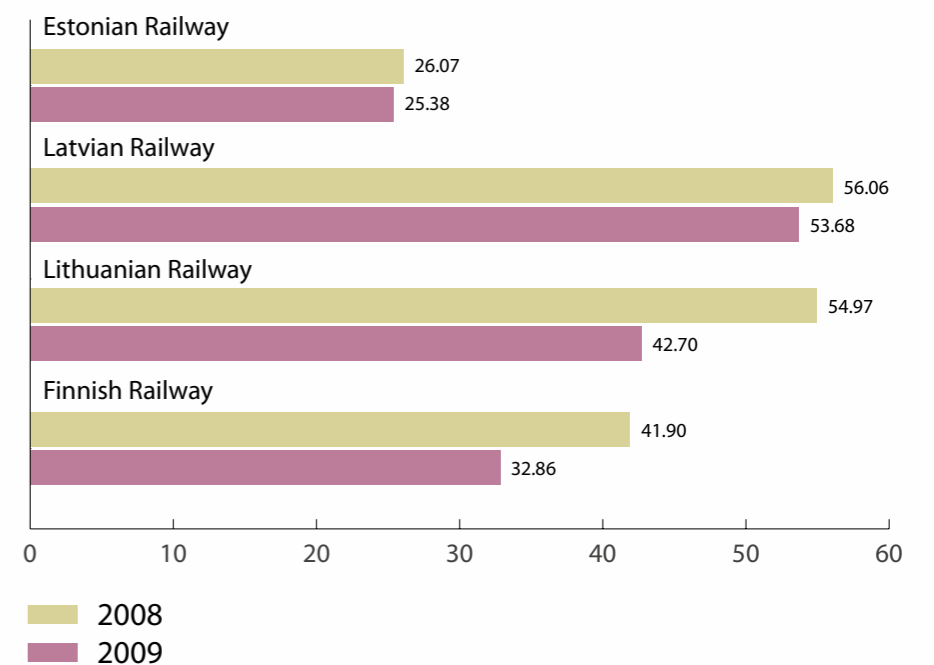
Chairman of the Board of Latvian Railway Uģis Magonis and Communication Director Regina Svirska meet guests in National Opera House

**August 5.** The whole day was spent in events dedicated to the 90th anniversary of Latvian railway: awarding of best employees, opening of the book *Railways in Latvia*, first-day stamping of the postage stamp dedicated to Latvian railway, and other. In the evening in the National Opera House celebration of the anniversary took place.



**August 28** The President Valdis ZATLERS in Riga Castle organised a meeting with employees of Latvian Railway. During the meeting the President recognized Latvian Railway – one of the largest companies in Latvia.

#### Freight carriages in the Baltic States and Finland in 2009







## YEAR OF ANNIVERSARY Latvian Railway - 90

First railway tracks in the territory of Latvia were built in the middle of the 19<sup>th</sup> century, but during revolutions and the First World War in the beginning of 20<sup>th</sup> century these tracks were partially destroyed. It also changed the existing railway system and its management in Latvia. In August 5, 1919 the Latvian state railway field was overtaken by Railway Central Administration, which managed it for 20 years. Therefore in the year 2009 State Joint Stock Company *Latvijas dzelzceļš* observed its 90th anniversary.

Programme of the anniversary year was comprehensive and varied.

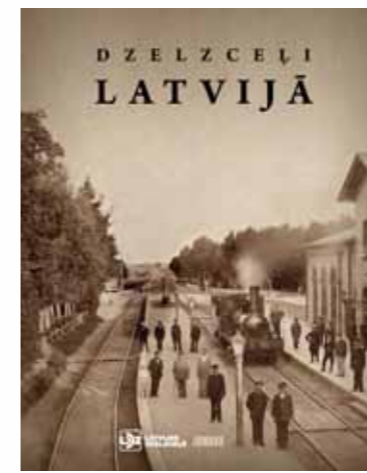
**Conference.** From March 26 – March 27 in the Tower Hall of Latvian National History Museum an international scientific conference *Latvian Railways: past, present and future* took place. In opening of the conference the Minister of Transport Kaspars GERHARDS and the Chairman of the Board of SJSC *Latvian Railway* Uģis MAGONIS participated. The first day of the conference was dedicated to history; the following day was dedicated to the directions of development of *Latvian Railway* in the beginning of the 21<sup>st</sup> century. Railway transport researchers from the Baltic States, Russia and international organisations read their reports.

**Books.** First to receive a gift – album of illustrations *Railways in Riga* – were participants of the conference in the event organised by Uģis MAGONIS in the Railway History Museum. Reports were published in a special issue of publications. In July a book *Railways in Latvia* in three languages (Latvian, Russian and English) was released. In co-operation with the weekly magazine *Subbota* a storybook *Skorij pojezd vospominanj (Fast Train of Memories)* was released. It is interesting that the stories were sent by readers of the magazine. During the event *Our Talents* a book *Creative Railwaymen* was published, where the poetry and essays of railwaymen are compiled.

**Video.** As to the history of railway, creative association *Labvakar* made a video *Belt of Rails*, sequence of

which reveal what was said in its caption – *Faith is like a flow of time. The faith of Latvians is weaved in the belt of Lielvarde. Following the time, the railway one and a half centuries lives together with the pace of faith of Latvia. Railway tracks like a belt together with the state and nation stubbornly curl through times, rules, wars and governments.*

**Exhibitions.** Throughout the year in the largest nodes of railway exhibitions of photography were placed, where the railway history and nowadays events were reflected. These exhibitions were opened in the anniversaries of railway line openings. In Jelgava: 140<sup>th</sup> anniversary of railway line Riga - Jelgava; Daugavpils: the first railway line in the territory of Latvia; Valmiera: 120<sup>th</sup> anniversary of rail-



way line Riga – Valka, and in Liepāja: 80<sup>th</sup> anniversary of railway line Gluda - Liepāja. In July all exhibitions were taken to Riga Central railway station and placed in the main hall. In Latvian railway History Museum an exhibition *Railway Photography* was opened, participants of which received writings of gratitude from the Chairman of the Board.

**Late nights in museum.** In July several activities, the goal of which was to explain to society more and more about the role and meaning of Latvian railway in our country, took place. The facade of Riga Central railway station was ornamented with the poster *Latvia. Rail. Way.*, as well as portraits of railwaymen of several periods, which together with video stories in television told about

how important for the company are employees. Magazine with the same name was also published; it was distributed in all railway stations and passenger trains. Every Wednesday *Late Nights of the Museum* were organised, which turned out to be a holiday for everybody. On July 8, an opening of the anniversary month took place, which also was the first event of the cycle *Late Nights of the Museum*. On that day the restored narrow-gauge railway steam engine locomotive ML 657 was demonstrated. In co-operation with the portal *draugiem.lv* the adventure game *Railway Travellers* was started. Accompanied by musical performances, everybody could attend the exposition of the museum. The widest possibilities for entertainment were offered to children and teenagers: safety lesson in electric train, inflatable train, drawing, orientation and meetings with railway modellers. More than a half of visitors took the advantage to visit museum free of charge, bringing their own drawings or old suitcases.

**Celebration – August 5.** It is a day, when Latvian State railway Central Administration started its work in 1919. In the anniversary year this day was full of events. Several events followed each other in the Latvian Railway History Museum. Latvian Post Office issued the first postage stamp in the series *Latvian Railway History*, where the steam engine locomotive *Kurland* from the 1860ties was de-

icted. *Latvian Railway* in co-operation with publishing house *Jumava* organised the opening of the book *Railways in Latvia*. The book tells a story about each railway line in Latvia. As usually, also the best employees of *Latvian Railway* were feted. Zenith of the 90<sup>th</sup> anniversary was reached in Latvian National Opera house, where employees and guests participated. The festival was attended by state officials, business persons, representatives from railways of the neighbouring countries and international organisations. In the pace of the evening Jānis RAČKO (Communication Department) received award *For lifelong contribution*, and Sergejs MIHAILOVS (Technical Department) received award *For the best scientific research*, followed by speeches and resplendent concert.







# RAILWAY LINES

