# AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 9 months 2008

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# INFORMATION ON THE COMPANY

| | |
|---|---|
| *Name of the company* | DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA |
| *Legal status of the company* | Joint-stock company |
| *Number, place and date of registration* | Nr.40003030219<br>Riga, 03.10.1991.<br>Commercial register<br>Riga, 08.06.2004. |
| Address | Marijas street 1, Daugavpils LV-5401 Latvia |
| Type of operations | Repair and modernization of the mobile train |
| Names, address and % of the share capital owned by company's shareholders | AS SKINEST RAIL, reģ.10293440 (49,0%)<br>Kadaka tee 1, 10621, Tallinna,<br>Igaunija<br>AS SPACECOM, reģ.10940566 (25,27%)<br>Kadaka tee 1, 10621 Tallina<br>Estonia<br>LLC LOKOMOTIIV IVESTEERINGUUD, reģ.11096115 (6,09%)<br>Tartu street 18-18, 10115 Tallina<br>Estonia<br>AAS "DORMAŠINVEST" reģ.001455963, OGRN 10277739059919 (5%)<br>Moscow, Russia<br>VAS VSAA, Riga (3,2%)<br>Lacplesha street 70a, LV-1011<br>Latvia<br>Physical persons (11,44%) |
| Names and positions of Board members | Keskula Aivar – chairman of the board (from 29.10.2007)<br>Šilovs Andrejs – member of the board (from 29.10.2007)<br>Petrova Natālija – member of the board (from 29.10.2007)<br>Steļmačenoks Kazimirs - member of the board (from 29.10.2007.) |
| Names and position of Advice members | Ossinovski Oleg – chairman of the advice (from 22.05.2008)<br>Krasnoslok Juri – vice-chairman of the advice(from 22.05.2008)<br>Barashkov Vasiluy - member of the advice (from 22.05.2008)<br>Rumjantsev Oleg –member of the advice (from 22.05.2008)<br>Piir Maarika – member of the advice (from 22.05.2008) |

# Report of the management.

## I. The key figures of the enterprise.

In 9 months 2008 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for 12 043.4 thousand lats, which constitutes +39.6% compared to the appropriate period of 2007.

Displayed below is the dynamics of the output of the production of the basic classification.

Table No.1

**The basic classification of the production.**

thousands,Ls

| Designation | 9 months 2008 | 9 months 2007 | ( +, - ) |
|---|---|---|---|
| Diesel locomotive repair, section | 8 546.4 | 4 556.0 | +3 990.4 |
| Electric train repair,carrige | 706.0 | 931.1 | -225.1 |
| Wheel pair repair, pieces | 1 060.9 | 1 176.3 | -115.4 |
| Electric machines repair,pieces | 599.0 | 567.9 | +31.1 |
| Diesel repair, peaces | 204.3 | 519.2 | -314.9 |
| Other production | 926.8 | 877.1 | +49.7 |
| **Total** | **12 043.4** | **8 627.6** | **+3 415.8** |

Table No.2

**The structure of the distributed goods by the clients.**

| The client | 9 months 2008 | | 9 months 2007 | |
|---|---|---|---|---|
| | sum | % | sum | % |
| Latvia | 1 960.4 | 16.3 | 1 643.6 | 19.1 |
| Lithuania | 715.4 | 5.9 | 565.8 | 6.6 |
| Estonia | 1 626.1 | 13.5 | 1 327.6 | 15.4 |
| Belarus | 95.1 | 0.8 | 133.2 | 1.5 |
| Uzbekistan | 447.0 | 3.7 | 1 072.3 | 12.4 |
| Russia | 7 051.2 | 58.5 | 2 058.9 | 23.9 |
| Mongolia | 93.0 | 0.8 | 1 826.2 | 21.1 |
| Turkmenistan | 55.2 | 0.5 | | |
| **Total** | **12 043.4** | **100.0** | **8 627.6** | **100.0** |

## II. Financial figures.

The enterprise finished 9 months 2008 year with profit +691.9 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 238.6 thousand lats of investments, including:

- ❖ Equipment putting into operation - 48.0 thousand Ls
- ❖ Equipment repairs - 185.6 thousand Ls
- ❖ Furniture and equipment - 5.0 thousand Ls

Chairman of the board Aivar Keskuela

# 01.10.2008. balance Sheet

0.702804

| ASSETS | | | | | | |
|---|---|---|---|---|---|---|
| | 01.10.2008. | | 01.10.2007. | | 01.01.2008. | |
| | **LVL** | **EUR** | **LVL** | **EUR** | **LVL** | **EUR** |
| NON CURRENT ASSETS | | | | | | |
| Property, plant and equipment: | | | | | | |
| Land, buildings and networks | 5 429 980 | 7 726 165 | 5 526 039 | 7 862 845 | 5 526 646 | 7 863 709 |
| Machinery and equipment | 1 246 207 | 1 773 193 | 828 104 | 1 178 286 | 1 169 915 | 1 664 639 |
| Other property, plant and equipment | 261 826 | 372 545 | 146 833 | 208 925 | 290 095 | 412 768 |
| Construction in progress | 39 745 | 56 552 | 420 980 | 599 000 | 61 991 | 88 205 |
| Total property, plant and equipment | 6 977 758 | 9 928 455 | 6 921 956 | 9 849 056 | 7 048 647 | 10 029 321 |
| Embedding long-term financial | | | | | | |
| Other embedding long-term financial | | | | | | |
| Total embedding long-term financial | | | | | | |
| Total embedding long-term | 6 977 758 | 9 928 455 | 6 921 956 | 9 849 056 | 7 048 647 | 10 029 321 |
| Current assets | | | | | | |
| Inventory | 3 410 573 | 4 852 808 | 3 300 070 | 4 695 576 | 3 257 399 | 4 634 862 |
| Debtors: | | | | | | |
| Debts custom, customer | 1 586 869 | 2 257 911 | 4 113 475 | 5 852 948 | 2 927 361 | 4 165 259 |
| Other debtors | 418 497 | 595 468 | 525 140 | 747 207 | 320 343 | 455 807 |
| Payment next periods | 10 840 | 15 424 | 8 968 | 12 760 | 11 103 | 15 798 |
| Accumulate income | 2 986 678 | 4 249 660 | 2 975 797 | 4 234 178 | 2 509 830 | 3 571 167 |
| Total debtors: | 5 002 884 | 7 118 463 | 7 623 380 | 10 847 093 | 5 768 637 | 8 208 031 |
| Cash and cash equivalents | 15 439 | 21 968 | 45 807 | 65 177 | 120 660 | 171 684 |
| Total current assets | 8 428 896 | 11 993 239 | 10 969 257 | 15 607 846 | 9 146 696 | 13 014 577 |
| **Total assets** | 15 406 654 | 21 921 694 | 17 891 213 | 25 456 902 | 16 195 343 | 23 043 898 |

# 01.10.2008. balance Sheet

0.702804

| LIABILITIES | | | | | | |
|---|---|---|---|---|---|---|
| | 01.10.2008. | | 01.10.2007. | | 01.01.2008. | |
| | **LVL** | **EUR** | **LVL** | **EUR** | **LVL** | **EUR** |
| SHAREHOLDER' EQUITY | | | | | | |
| Share capital | 8 294 219 | 11 801 610 | 8 294 219 | 11 801 610 | 8 294 219 | 11 801 610 |
| Previous year's retained earning | -3 602 677 | -5 126 148 | -2 129 354 | -3 029 798 | -2 577 304 | -3 667 173 |
| Current year's retained earning | 691 887 | 984 467 | 21 524 | 30 626 | -967 384 | -1 376 463 |
| Total equity | 5 383 429 | 7 659 929 | 6 186 389 | 8 802 438 | 4 749 531 | 6 757 974 |
| Provisions | 884 921 | 1 259 129 | 808 795 | 1 158 812 | 955 542 | 1 359 614 |
| Other provisions | 884 921 | 1 259 129 | 808 795 | 1 158 811 | 955 542 | 1 359 614 |
| Creditors | | | | | | |
| Loans from credit institution | | | | | | |
| Loans from liabilities credit institution | 2 286 659 | 3 253 623 | 2 673 199 | 3 803 619 | 2 281 364 | 3 246 089 |
| Other liability | 105 561 | 150 200 | 0 | 0 | 105 561 | 150 200 |
| Deffered tax | 207 390 | 295 089 | 43 932 | 62 510 | 207 390 | 295 089 |
| Total non-currents liabilities | 2 599 610 | 3 698 912 | 2 717 131 | 3 866 129 | 2 594 315 | 3 691 378 |
| Loans from liabilities credit institution | 2 479 940 | 3 528 637 | 2 176 776 | 3 097 273 | 3 455 468 | 4 916 688 |
| Advances from customers | 773 468 | 1 100 546 | 1 375 189 | 1 956 718 | 383 716 | 545 979 |
| Debts provider and employer | 2 396 079 | 3 409 313 | 4 064 516 | 5 783 285 | 2 855 044 | 4 062 362 |
| Taxes and social guaranteeing payment | 416 060 | 592 000 | 311 416 | 443 105 | 587 199 | 835 508 |
| Other creditors | 306 005 | 435 406 | 245 511 | 349 331 | 328 508 | 467 425 |
| Accumulated liabilities | 167 142 | 237 822 | 5 490 | 7 812 | 286 020 | 406 970 |
| Total current liabilities | 6 538 694 | 9 303 724 | 8 178 898 | 11 637 524 | 7 895 955 | 11 234 932 |
| Total liabilities | 9 138 304 | 13 002 636 | 10 896 029 | 15 503 653 | 10 490 270 | 14 926 310 |
| **Total equity, provisions and liabilities** | 15 406 654 | 21 921 694 | 17 891 213 | 25 456 902 | 16 195 343 | 23 043 898 |

# Profit or loss account

9 months 2008

0.702804

| | for 9 months 2008 | | for 9 months 2007 | |
|---|---|---|---|---|
| | **LVL** | **EUR** | **LVL** | **EUR** |
| NET SALES | 12 375 152 | 17 608 255 | 11 028 028 | 15 691 470 |
| Cost of sales | 9 726 970 | 13 840 231 | 9 509 355 | 13 530 594 |
| GROSS PROFIT (LOSS) | 2 648 182 | 3 768 024 | 1 518 673 | 2 160 876 |
| Sales and distribution expenses | 123 625 | 175 903 | 162 281 | 230 905 |
| Administrative expense | 1 614 133 | 2 296 704 | 1 362 844 | 1 939 152 |
| Other operating income | 154 491 | 219 821 | 69 998 | 99 598 |
| Other expenses | 26 569 | 37 804 | 32 387 | 46 083 |
| Other credit expenses | 346 746 | 493 375 | 230 161 | 327 490 |
| Other credit income | 287 | 408 | 220 526 | 313 782 |
| Profit or loss before extraordinary post and taxes | 691 887 | 984 467 | 21 524 | 30 626 |
| Profit or loss before taxes | 691 887 | 984 467 | 21 524 | 30 626 |
| Corporate income tax of account period | 0 | 0 | 0 | 0 |
| Profit or losses report on period after taxes | 691 887 | 984 467 | 21 524 | 30 626 |
| Profit coefficient on stock | 0.0834 | 0.1187 | 0.003 | 0.004 |

# OVERWIEW OF EQUITY CAPITAL CHANGES

for 9 months 2008

0.702804

| | on 30.09.2008. | | on 30.09.2007. | |
|---|---|---|---|---|
| | **LVL** | **EUR** | **LVL** | **EUR** |
| Share capital | | | | |
| Post-balance residue at the beginning of year | 8 294 219 | 11 801 610 | 8 294 219 | 11 801 610 |
| Post-balance residue at the end of period | 8 294 219 | 11 801 610 | 8 294 219 | 11 801 610 |
| Retained profit | | | | |
| Post-balance residue at the beginning of year | -3 544 688 | -5 043 636 | -2 032 846 | -2 892 479 |
| Post-balance residue at the end of period | -2 910 790 | -4 141 681 | -2 107 830 | -2 999 172 |
| Share capital (total) | | | | |
| Post-balance residue at the beginning of year | 4 749 531 | 6 757 974 | 6 261 373 | 8 909 131 |
| Post-balance residue at the end of period | 5 383 429 | 7 659 929 | 6 186 389 | 8 802 438 |

# NOTES

## Standard passing

a) Interpretations, which are effective from 1 January 2007 and are related to Company's activity

IFRS 7 Financial instruments: disclosures and complementary amendments to IAS 1, Presentation of financial statements – Capital disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures of information relating to financial assets. The standard requirements include both qualitative and quantitative data about risks arising from the financial instruments, incorporating specific requirements to disclosures about credit risk, liquidity risk and market risk. The standard replaces IAS 32, Financial instruments: Disclosures. The standard must be adopted by all companies which prepare financial statements in compliance with IFRS. Amendments to IAS 1 introduce disclosures requirements about sufficiency of the capital and management of the capital by the Company.

b) Standards, amendments and interpretations that are effective from 1 January 2007, and relevant for operations of the Company

There is published or transcribed IFRS interpretations, which are obligatory for periods of accounting which begin from 1 January 2007, but do not relevant for operations of the Company:
IFRS 7 "Repeated adoption of IAS 39 „Financial reporting in hyperinflation cautionary economies"
IFRS 8 "Scope of IFRS No. 2"
IFRS 9 "Reassessment of embedded derivatives"
IFRS 10 "Interim financial reporting and impairment"

c) Standards, amendments and interpretations, which are not yet obligatory adaptive and their adaptation previously Company has not done

IAS 1 Presentation of financial statements

IAS 27 – Consolidated and separate financial statements

Processed standard requires that changes in participation in subsidiaries is considered as transactions of equity. Calculation of losses of subsidiaries was changed. The Company now is appraising influence of processed standards to further financial statements and planning to make allegations of IAS 27 starting from accounting period on 1 January 2009.

d) Standards, amendments and interpretations that are not yet effective and not relevant for operations of the Company

IFRS 3- Business combinations and – revised (effective for periods beginning on or after 1 January 2009).
IFRIC 11, "IFRS 2 – "Group and treasury share transactions" (effective for periods beginning on or after 1 March 2007).
IFRIC 12, "Service concession arrangements (effective for periods beginning on or after 1 January 2008).
IFRIC 13, „Customer loyalty programs" (effective for periods beginning on or after 1 July 2008).
IFRIC 14, „IAS No. 19 – The limit on a defined benefit asset, minimum funding and their interaction" (effective for periods beginning on or after 1 January 2008).

# Accounting policies

## Principles of consolidation and purchase of companies

Consolidated financial statement includes financial statements of the Company and it's subsidiaries. Accounting policy and financial year of the Company and subsidiaries do not differ. Financial statements of the subsidiaries included in consolidated financial statements of the Company under the full consolidation method. Since the Company has established all of the subsidiaries no goodwill arise. Subsidiaries are consolidated from their incorporation date.

## Segment reporting

A business segment is the identified business segment engaged in selling goods and providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is the identified business segment engaged in selling goods or providing services within a particular economic environment that are subject to risks and returns that are different from those of business segments operating in other economic environments.

## Foreign currency translation to LVL

(a) Functional and presentation currency

Items are shown in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in Latvian lat (LVL), which is the Company's functional and presentation currency.

(b) Transactions and balances

All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement for the period.

| | 30.09.2008. | 30.09.2007. |
|---|---|---|
| 1 USD | 0.486 | 0.497 |
| 1 EUR | 0.702804 | 0.702804 |
| 1 LTL | 0.204 | 0.204 |
| 1 EEK | 0.0454 | 0.0449 |
| 1 RUB | 0.0194 | 0.0199 |

**Income recognition**

Main operation of the Company is repair and modernization of railway rolling stock. Net sales represent the total of goods and services sold during the year net of discounts, value added tax and excise tax.

Income from repairing and modernizing services are recognized by percentage completion method.

Income from sales of goods in Latvia is recognized when the customer has accepted the goods. Income from sales of goods outside Latvia is recognized in accordance with the terms of delivery. Income from penalties is recognized at the moment of receipt. Income from provision of other services is recognized at the period of rendering the services.

Interest income or expenses are recognized in the income statement for all loans and borrowings assessed at amortized cost applying the effective interest rate method.

**Long term contracts**

Costs which are connected with longterm contract are recognised at the time when they appear. If result of long term contract is not possible to estimate, then Company recognises the income at the amount of contract related expenses which is possible to recover. If it is probable to estimate the financial result and it is planned to be a profit the income recognised during the period of contract. If there is material probability that total expenses of this agreement will exceed total income, then potencial losses are recognised immediately as expenses.

Company applies precentage completion method to estimate the recognized income amount in the curent period. According to that method the Company determines completion degree of work by as percentage of total planned contract expenses toward contract expenses which are ensued until balance sheet date or by reviewing the actual work done. Expenses which are incurred in current period but related to work in future periods, are extracted from current year expenses in calculating of work percentage completion. These expenses are recognzed as inventories or other assets, depends from the nature of expenses.

**Property, plant and equipment (fixed assets)**

Fixed assets are initially accounted at the purchase cost. Purchase cost includes costs, which are directly related to the purchase of fixed assets. In financial statements the intangible and fixed assets are shown at purchase cost less depreciation.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

| | Depreciation % per year |
|---|---|
| Buildings | 1-5 |
| Plant and equipment | 5-20 |
| Other fixtures and fittings, motor vehicles | 5-35 |

The Company capitalizes its fixed assets valued over Ls 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items valued less than 50 Ls is recalculated as 100% of purchase amount after putting into operation.

Repair and maintenance costs of fixed assets are expensed when incurred. If sufficient evidence is acquired that by repair and maintenance future economic benefit associated with it will flow to the Company, which exceeds the previously set return, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of mounted spare parts, the carrying value of the part replaced is expensed.

Net profit or loss from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset and the income from sale, and expensed when disposal are incurred.

If any circumstances or events exist, by which it could the concluded, that the carrying amount of a fixed asset could be higher of its recoverable value, the value of a fixed or intangible asset is written down to its recoverable amount. Recoverable value is the higher of the fair value less costs to sell and the value in use of the related fixed asset.

**Inventory**

Inventory is recorded at the lower of purchase or production costs and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventory at their current position and value. The costs of used materials and other expenses that are directly connected with the production of the appropriate item. Cost is stated on the FIFO method. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories.

**Impairment of tangible assets**

All material assets of the Company have their estimated useful lives and they are amortized or depreciated. Assets that are subject to amortization and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognized at difference between book value of the asset and its recoverable value. Recoverable value is the higher of an asset's fair value less costs to sell and its value in use. In order to determine decrease of the value, assets are classified based on the lower level of identifiable cash flows (cash-bearing units). Assets, which value has been decreased, are assessed at the end of every reporting year to identify the probable value decrease reservation.

### Account receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset' s carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. Changes in inventories are shown in the income statement.

### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the remaining cash, balance of current bank accounts and current deposits with maturities up to 90 days.

### Share capital and dividends

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, within which shareholders of the Company approve the dividends.

### Provisions

Provisions are recognized, when there is a present obligation as a result of current or previous years events, it is probable that an outflow or resources will be required, and the amount has been reliably estimated.

### Loans

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Accruals for unused annual leave

Accruals for unused annual leave are based on actual number of outstanding days of paid leave as at the end of the reporting period multiplied by the average daily salary over the last six months of each employee.

**Corporate income tax**

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15 % tax rate.

**Disability pension**

Company has obligation to make long term payments to existing and previous employees if some of them now are disabled person because of injury of work.

Amount of this pension depends from the form of disability, total income of employee and overall indexation of pensions. Liability about further disability pensions is appreciated as amortized costs of future payments of pensions at balance sheet's date. In calculation is supposed that that effective interest rate is equal with indexation percentage of pensions.

**Earnings per share**

Earnings per share are determined dividing the net gains or losses attributable to shareholders of the Company by the average weighted quantity of the shares in the reporting year.

## 1. Net sales

| | 9 months 2008 | 9 months 2007 |
|---|---|---|
| **According to operating activities** | | |
| Products production | 12 043 420 | 8 627 631 |
| Spare parts sale | 0 | 2 121 434 |
| Other | 331 732 | 278 963 |
| **Total** | **12 375 152** | **11 028 028** |
| **According to the location** | | |
| Income from export to Latvia | 1 960 400 | 1 643 600 |
| Income from export to Russia | 7 051 200 | 2 058 900 |
| Income from export to Lithuania | 715 400 | 565 800 |
| Income from export to Estonia | 1 626 100 | 1 327 600 |
| Income from export to Belarus | 95 100 | 133 200 |
| Income from export to Uzbekistan | 447 000 | 1 072 300 |
| Other | 148 220 | 1 826 231 |
| **Total** | **12 043 420** | **8 627 631** |

## 2. Production costs

| | | |
|---|---|---|
| Goods delivery expenses | 60 680 | 157 044 |
| Row and material expenses | 4 879 563 | 3 312 600 |
| Purchase of diesel locomotives | 0 | 2 055 556 |
| Utility expenses | 477 850 | 444 045 |
| Salary expenses | 2 966 187 | 2 504 283 |
| Social insurance | 701 137 | 599 704 |
| Depreciation of fixed assets | 216 530 | 153 617 |
| Other production costs | 425 023 | 282 506 |
| **Total** | **9 726 970** | **9 509 355** |

## 3. Selling expenses

| | | |
|---|---|---|
| Transportation costs | 54 776 | 55 712 |
| Other selling expenses | 68 849 | 106 569 |
| **Total** | **123 625** | **162 281** |

## 4. Administrative expenses

| | | |
|---|---|---|
| Salary expenses | 1 024 669 | 903 766 |
| Social insurance | 244 579 | 213 806 |
| Office expenses | 98 697 | 61 397 |
| Advertising expenses | 2 603 | 434 |
| Representation costs | 1 823 | 3 083 |
| Bank service | 10 334 | 9 659 |
| Depreciation of fixed assets | 82 741 | 51 143 |
| Other administrative costs | 148 687 | 119 556 |
| **Total** | **1 614 133** | **1 362 844** |

## 5. Other operating income

| | | |
|---|---|---|
| Income from fixed assets sale | 11 104 | 1 519 |
| Write of a reserve of the basic means | 67 585 | 22 318 |
| Incomes of the basic means | 13 750 | 10 446 |
| Other income | 62 052 | 35 715 |
| **Total** | **154 491** | **69 998** |

## 6. Other operating expenses

| | | |
|---|---|---|
| Expenses of collective agreement | 22 013 | 16 874 |
| Other expenses | 4 556 | 15 513 |
| **Total** | **26 569** | **32 387** |

## 7. Fixed assets

| | Land and buildings | Equipment and machinery | Other fixed assets and inventory | Fixed assets under construction | **Total** |
|---|---|---|---|---|---|
| **Cost / Valuation 01.01.2008.** | **6 007 311** | **5 469 348** | **676 852** | **61 991** | **12 215 502** |
| Additions | 14 389 | 210 999 | 30 052 | 233 194 | 488 634 |
| Disposals | | 122 256 | 7 762 | 255 440 | 385 458 |
| Reclassification | | | | | |
| Revaluation | | | | | |
| 30.09.2008. | 6 021 700 | 5 558 091 | 699 142 | 39 745 | 12 318 678 |
| **Depreciation 01.01.2008.** | **480 665** | **4 299 433** | **386 757** | | **5 166 855** |
| Charge | 111 055 | 133 264 | 56 068 | | 300 387 |
| Disposals | | 120 813 | 5 509 | | 126 322 |
| Reclassification | | | | | |
| Corrections for previous year's error | | | | | |
| 30.09.2008 | 591 720 | 4 311 884 | 437 316 | | 5 340 920 |
| **Net book value 01.01.2008.** | **5 526 646** | **1 169 915** | **290 095** | **61 991** | **7 048 647** |
| **Net book value 30.09.2008.** | **5 429 980** | **1 246 207** | **261 826** | **39 745** | **6 977 758** |

## 7. Incomplete products

| | | |
|---|---|---|
| Unfinished production | 136 841 | 92 900 |

## 8. Finished good and goods for sale

| | | |
|---|---|---|
| Finished products on stock | 598 367 | 675 216 |
| Canteen | 325 | 330 |
| **Total** | **598 692** | **675 546** |

## 10. Trade receivables

| | | |
|---|---|---|
| Trade receivables | 1 586 869 | 4 113 475 |
| **Total** | **1 586 869** | **4 113 475** |

## 11. Other receivables

| | | |
|---|---|---|
| VAT overpaid | 134 915 | 247 113 |
| Corporate income tax overpaid | 129 468 | 35 295 |
| Guarantee | 33 207 | 71 018 |
| Advance payment | 115 146 | 114 271 |
| Other debtors | 5 761 | 57 443 |
| **Total** | **418 497** | **525 140** |

## 12. Deferred expenses

| | | |
|---|---|---|
| Payment for insurance | 4 744 | 1 351 |
| Other expenses | 6 096 | 7 617 |
| **Total** | **10 840** | **8 968** |

## 13. Cash and bank

| | | |
|---|---|---|
| Cash in hand | 1 114 | 1 771 |
| Cash at bank | 14 325 | 44 036 |
| **Total** | **15 439** | **45 807** |

## 14. Share capital

As at 30 September 2008 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

## 15. Loans from credit institutions

| | | |
|---|---|---|
| Long-term part | 2 286 659 | 2 673 199 |
| Short-term part | 2 479 940 | 2 176 776 |
| **Total** | **4 766 599** | **4 849 975** |

## 16. Advances received from consumers

| | | |
|---|---|---|
| Latvia | 90 963 | 2 201 |
| Russia | 234 544 | 757 593 |
| Estonia | 104 047 | 15 950 |
| Other | 343 914 | 599 445 |
| **Total** | **773 468** | **1 375 189** |

## 17. Trade payables

| | | |
|---|---|---|
| Short-term part | 2 396 079 | 4 064 516 |

## 18. Taxes and social insurance

| | 01.01. 2008. | Calculated | Budget restore | (Paid)/ repaid | Transferred | 30.09.2008. |
|---|---|---|---|---|---|---|
| VAT | -117 733 | -235 369 | 493 815 | 749 458 | +473 830 | -134 915 |
| Personnel income tax | 147 792 | 668 557 | | 583 744 | -87 313 | 145 292 |
| Social insurance | 238 813 | 1 321 305 | | 1 116 443 | -174 544 | 269 131 |
| Corporate income tax | 150 990 | - | | 68 485 | -211 973 | -129 468 |
| Real estate tax (land) | - | 5 167 | | 5 167 | | - |
| Real estate tax (buildings) | - | 35 215 | | 35 215 | | - |
| Natural resource tax | 913 | 2 561 | | 2 165 | | 1 309 |
| The state tax for company's business | 329 | 2 990 | | 2 991 | | 328 |
| **Total** | **421 104** | **1 800 426** | **493 815** | **2 563 668** | **0** | **151 677** |

Hereof:

| | | |
|---|---|---|
| Liabilities/ | 587 199 | 416 060 |
| (Overpaid) | 166 095 | 264 383 |

## 19. Average number of employees

| | | |
|---|---|---|
| Average number of employees | 1 286 | 1 370 |

Aivar Keskuela

Chairman of the board

**A/s “Daugavpils Lokomotīvju Remonta Rūpnīca”**
Unified registration number 40003030219
Address: Daugavpils, Marijas iela 1

rate 0.702804

# Cash flow statement

## I. Cash flow from operating activities for 9 month 2008

| Activities | 30.09.2008 LVL | | 30.09.2008 EUR | | 30.09.2007 LVL | | 30.09.2007 EUR | |
|---|---|---|---|---|---|---|---|---|
| | income | expences | income | expences | income | expences | income | expences |
| Profit before taxes | 691 887 | | 984 467 | | 81 004 | | 115 258 | |
| **Adjustments:** a) depreciation | 300 387 | | 427 412 | | 169 398 | | 241 032 | |
| b) provision | | 70 621 | | 100 485 | | 10 746 | | 15 290 |
| c) profit or loss from fluctuacions of currency exchange | 68 256 | | 97 120 | | | 236 642 | | 336 711 |
| Provision decrease | | 57 989 | | 82 511 | | 22 318 | | 31 756 |
| Income from sale of fixed assets | | | | | | | | |
| Interest exspenses | 3 696 | | 5 259 | | | | | |
| **Adjustments:** a) Trade | 765 753 | | 1 089 568 | | | 927 370 | | 1 319 529 |
| b) Net cash flow from operating activities | | 153 174 | | 217 947 | | 1  656 638 | | 2 357 184 |
| c) Cash flow before extraordinary items | | 381 733 | | 543 157 | 2 639 701 | | 3 755 956 | |
| Gross cash flow operating activities | 1 829 979 | 663 517 | 2 603 826 | 944 100 | 2 890 103 | 2 853 714 | 4 112 246 | 4 060 469 |
| Corporate income tax paid | | | | | | 59 480 | | 84 632 |
| Cash flow before extraordinary items | 1 829 979 | 663 517 | 2 603 826 | 944 100 | 2 890 103 | 2 913 194 | 4 112 246 | 4 145 102 |
| **Net cash flow from operating activities** | 1 166 462 | | 1 659 726 | | | 23 091 | | 32 856 |

## II. Cash flows from investing activities

| Activities | 30.09.2008 LVL | | 30.09.2008 EUR | | 30.09.2007 LVL | | 30.09.2007 EUR | |
|---|---|---|---|---|---|---|---|---|
| | income | expences | income | expences | income | expences | income | expences |
| Acguisition of fixed assets and intangible assets | | 244 298 | | 347 605 | | 271 276 | | 385 991 |
| Income from sale of fixed assets and intangible assets | 11 104 | | 15 800 | | | | | |
| Parficipation in other companies | | | | | | | | |
| Net cash flow from investing activities | | 233 194 | | 331 805 | | 271 276 | | 385 991 |

## III. Cash flows from financing activities

| Activities | 30.09.2008 LVL | | 30.09.2008 EUR | | 30.09.2007 LVL | | 30.09.2007 EUR | |
|---|---|---|---|---|---|---|---|---|
| | income | expences | income | expences | income | expences | income | expences |
| Loans from credit institution | 45 133 | | 64 218 | | 732 322 | | 1 042 000 | |
| Borrowing repaid | | 1 083 622 | | 1 541 855 | | 425 299 | | 605 146 |
| Net cash flows from financing activities | | 1 038 489 | | 1 477 637 | 307 023 | | 436 854 | |

## IV. Total cash flow

| Activities | 30.09.2008 LVL | | 30.09.2008 EUR | | 30.09.2007 LVL | | 30.09.2007 EUR | |
|---|---|---|---|---|---|---|---|---|
| | income | expences | income | expences | income | expences | income | expences |
| Cash flow from operating activities | 1 166 462 | | 1 659 726 | | | 23 091 | | 32 856 |
| Cash flows from investing activities | | 233 194 | | 331 805 | | 271 276 | | 385 991 |
| Cash flows from financing activities | | 1 038 489 | | 1 477 637 | 307 023 | | 436 854 | |
| Net cash flow of the current period | | 105 221 | | 149 716 | 12 656 | | 18 007 | |
| Cash and cash eguivalents at the beginning of the reporting period | 120 660 | | 171 684 | | 33 151 | | 47 170 | |
| Cash and cash eguivalents at the end of the reporting period | 15 439 | | 21 968 | | 45 807 | | 65 177 | |

Chairman of the board A.Keskula
Date 26.11.2008