JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

CONSOLIDATE REPORT

For 2012

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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	Enterprise Register Nr.40003030219 Riga, 3 October 1991 Commercial register Riga, 8 June 2004
Address	Marijas street 1, Daugavpils LV-5401 Latvia
Type of operations	Railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts
Names of the major shareholders	AS SKINEST RAIL – 47,97% Moisa 4, 13522 Tallinn, Estonia AS SPACECOM - 25,27% Kadaka tee 1, 10621 Tallinn, Estonia LLC LOKOMOTIIV IVESTEERINGUUD - 15,37% Tartu street 18-18, 10115 Tallinn, Estonia Other shareholders - 11,39%
Names and positions of the Counsel Members	Oleg Ossinovski - Chairman of the Council Aivar Keskula - Vice Chairman of the Council Natalja Kumar – Member of the Council Sergei Jakovlev - Member of the Council (from 27.04.2012) Tomas Petraitis - Member of the Council (from 27.04.2012) Juri Krasnošlik – Member of the Council (until 27.04.2012) Aleksandr Golubnitši – Member of the Council (until 27.04.2012)
Names and positions of the Board Members	Natālija Petrova – Chairman of the Board Eduards Krukovskis - Member of the Board Mihails Mamonovs - Member of the Board
Auditor`s name and address	Report not vise

Report of the management.

I. The key figures of the enterprise.

In 2012 year joint-stock company „Daugavpils Lokomotīvju Remonta Rūpnīca" has distributed goods for **20414.3** thousand lats, which constitutes 121.8% compared to the of 2011.

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	2012	2011	(+, -)
Diesel locomotive repair, section	16 453.5	12 090.1	+4 363.4
Electric train repair, carrige	-	175.0	-175.0
Wheel pair repair, pieces	443.5	602.7	-159.2
Electric machines repair,pieces	978.8	833.3	+145.5
Diesel repair, peaces	282.0	-	+282.0
Spare parts	1 775.2	1 316.4	+458.8
Other production	481.3	1 737.9	-1 256.6
Total	**20 414.3**	**16 755.4**	**3 658.9**

Table No.2

The structure of the distributed goods by the clients.

The client	2012		2011	
	sum	%	sum	%
Latvia	2 083.2	10.2	2 794.6	16.7
Lithuania	400.7	2.0	540.2	3.2
Estonia	2 318.9	11.3	4 143.1	24.7
Belarus	669.0	3.3	743.3	4.4
Uzbekistan	924.9	4.5	307.6	1.8
Russia	13 773.6	67.5	7 325.8	43.8
Poland	63.0	0.3	119.5	0.7
Other	181.0	0.9	781.3	4.7
Total	**20 414.3**	**100.0**	**16 755.4**	**100.0**

II. Financial figures.

The enterprise finished 2012 year at la profit 800.3 thousand Ls.

The enterprise for the means of the increase of the turnover resources, has invested 729.5 thousand lats of investments, including:

- ❖ Equipment putting into operation - 194.4 thousand Ls
- ❖ Equipment repairs - 503.7 thousand Ls
- ❖ Furniture and equipment - 31.4 thousand Ls

Chairman of the Board Natālija Petrova

Statement of Director's responsibility

The Board of Directors of the Joint Stock Company "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" (hereinafter – the Company) is responsible for the preparation of the interim financial statements of the Company. Interim financial statements of the Company are not audited.

The financial statements on pages 7 to 24 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of December 31, 2012 and the result of its operations and cash flows for of the 2012.

The financial statements are prepared in accordance with International Financial Reporting Standarts on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Board of Directors in the preparation of the financial statements.

The Board of Directors of JSC "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
Chairman of the Board

31.12.2012

31.12.2012. balance Sheet

0.702804

	ASSETS			
	31.12.2012.		31.12.2011.	
	LVL	EUR	LVL	EUR
Embedding long-term				
Embedding non material				
Other Embedding non material	13 242	18 842	17 261	24 560
Property, plant and equipment:				
Land, buildings and networks	5 050 897	7 186 779	5 085 550	7 236 085
Machinery and equipment	2 532 982	3 604 109	2 394 628	3 407 249
Other property, plant and equipment	53 547	76 191	85 098	121 084
Construction in progress	127 211	181 005	48 686	69 274
Total property, plant and equipment	7 764 637	11 048 084	7 613 962	10 833 692
Embedding long-term financial				
Investments in associated companies			480	683
Total embedding long-term	7 777 879	11 066 926	7 631 703	10 858 935
Current assets				
Inventory	2 527 533	3 596 355	2 227 883	3 169 991
Debtors:				
Trade receivables	1 845 502	2 625 913	1 792 710	2 550 797
Other current assets	232 840	331 301	94 167	133 988
Corp. income tax (overpay)			4 768	6 784
Accumulate income	3 348 670	4 764 728	2 446 126	3 480 524
Cash and cash equivalents	28 931	41 165	585 161	832 609
Total current assets	7 983 476	11 359 462	7 150 815	10 174 693
Total assets	15 761 355	22 426 388	14 782 518	21 033 628

31.12.2012. balance Sheet

0.702804

	LIABILITIES			
	31.12.2012.		31.12.2011.	
	LVL	**EUR**	**LVL**	**EUR**
Shareholder' equity				
Share capital	8 294 219	11 801 610	8 294 219	11 801 610
Previous year unappropriated result	-1 905 056	-2 710 650	-2 254 424	-3 207 756
Current years profit or loses	800 317	1 138 748	349 368	497 106
Total shareholders' eguity	7 189 480	10 229 708	6 389 163	9 090 960
Liabilities				
Long-term liabilities				
Long-term loan from credit institution	1 268 387	1 804 752	1 665 190	2 369 352
Other liability	83 903	119 383	83 903	119 383
Deffered tax liability	335 125	476 840	335 125	476 840
Total	1 687 415	2 400 975	2 084 218	2 965 575
Current liabilities				
Loan from credit institution	1 443 712	2 054 217	2 291 803	3 260 942
Trade payables	2 948 768	4 195 719	1 726 543	2 456 649
Accumulation	120 797	171 879	123 189	175 282
Incomes of the future periods	404 793	575 969		
Other liabilities	1 966 390	2 797 921	2 167 602	3 084 220
Total current liabilities	6 884 460	9 795 705	6 309 137	8 977 093
Total	8 571 875	12 196 680	8 393 355	11 942 668
Total liabilities	15 671 355	22 426 388	14 782 518	21 033 628

Profit or loss account

For 2012

0.702804

	2012		2011	
	LVL	**EUR**	**LVL**	**EUR**
Net sales	20 687 581	29 435 776	17 148 878	24 400 655
Cost of sales	-17 434 313	-24 806 793	-14 535 449	-20 682 081
Gross profit (loss)	3 253 268	4 628 983	2 613 429	3 718 574
Sales and distribution expenses	-483 117	-687 414	-390 397	-555 485
Administrative expense	-1 980 229	-2 817 612	-1 771 359	-2 520 417
Other operating income	86 905	123 655	130 653	185 902
Other expenses	-15 141	-21 544	-18 261	-25 982
Profit or loss before extraordinary post and taxes	-61 369	-87 320	-251 358	-357 650
Profit or losses report on period	800 317	1 138 748	312 707	444 942
Corporate income tax			36 661	52 164
Total	800 317	1 138 748	349 368	497 106
Profit coefficient on stock	0.10	0.14	0.042	0.06

OVERWIEW OF EQUITY CAPITAL CHANGES

For 2012

0.702804

	2012		2011	
	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	-1 905 056	-2 710 650	-2 254 424	-3 207 756
Post-balance residue at the end of period	-1 104 739	-1 571 902	-1 905 056	-2 710 650
Share capital (total)				
Post-balance residue at the beginning of year	6 389 163	9 090 960	6 039 795	8 593 854
Post-balance residue at the end of period	7 189 480	10 229 708	6 389 163	9 090 960

Accounting policies

(1) Basis of preparation

These financial statements have been prepared in accordance with the EU-approved International Financial Reporting standards (IFRS).

Financial statements are prepared on the basis of historical cost accounting method, that is modified by the revaluation of the real estate property at their fair value and using this value as its costs on transition to IFRS.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by The Group.

a) Standards, amendments and interpretations effective in the current year

IAS 24, Related Party Disclosures - Amendment

The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The amendment is applied retrospectively. The amendment did not have any material effect on related parties disclosures in these financial statements.

IAS 32 Classification of Rights Issues - Amendment

The amendments alter the definition of a financial liabilities in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applied retrospectively. The adoption of this amendment did not affect the Group's financial position or performance because the Group does not have such instruments.

IFRIC 14 - Prepayments of a Minimum Funding Requirements - Amendment

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of minimum funding requirements to be recognised as a pension asset. The amendment is applied retrospectively. This amendment did not affect these financial statements because the Group does not have defined benefit assets.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. This interpretation did not affect these financial statements because the Group does not have such transactions.

Improvements to IFRS issued in May 2010

Amendments have been made to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. Improvements consist mostly of a mixture of insignificant changes and clarifications in the different areas. These amendments did not have any material effect on Group's financial statements.

b) Standards, amendments and interpretations, which are not yet effective and not yet adopted by the Group

IAS 12 Income Taxes – Recovery of Underlying Assets - Amendment (effective for annual periods beginning on or after 1 January 2012, not yet adopted by the EU).

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured at fair value will be recognized on a sale basis. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Group has assessed that this amendment will not affect its financial position and performance because the Group measure their investment properties according to the cost model.

IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendment (effective for annual periods beginning on or after 1 July 2012, not yet adopted by the EU).

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. This amendment will not have an impact to Group's financial statements.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income - Amendment (effective for annual periods beginning on or after 1 July 2013, not yet adopted by the EU).

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects only presentation of Other Comprehensive Income and will not impact the Group's financial position or performance. The Group is considering the impact of amendment on its financial statements.

IAS 19 Employee Benefits - Revised (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is considering the impact of amendment on the its financial statements.

IAS 27 Separate Financial Statements - Revised (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

As a result of the new IFRS 10 and IFRS 12, revised IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures -Revised (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

As a result of the new IFRS 11 the revised IAS 28 has been renamed as Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As the Company does not hold any investments in jointly controlled entities and associates there is no impact of revised standard on the Company's financial statements.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 does not change the consolidation procedures, rather changes whether an entity is consolidated by revising the definition of control. The Company is in the process of assessing the impact of this standard on the financial position or performance of the Company.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. As the Company does not have any investments in subsidiaries and special purpose entities there is no impact of this standard on Company's financial statements.

IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Company is in the process of assessing the impact of this standard on the disclosure in Company's financial statements.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather describes how to measure fair value where fair value is required or permitted. This standard should be applied retrospectively and early adoption is permitted. The Group is considering the impact of the standard on the Company's financial statements.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2014, not yet adopted by the EU).

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted, but only with the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. The Group is considering the impact of the amendment on the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Group is considering the impact of the amendment on the Group's financial statements.

*IFRS 9, Financial Instruments Part 1: Classification and Measurements, issued in November 2009 (*effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

The IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Group is considering the impact of the standard on the financial statements.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).

This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The Group is not involved in mining activities and, therefore, the interpretations will not effect its financial statements.

(2) Methods of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial year and accounting principles of the Company and subsidiary companies are the same. Financial statements of subsidiaries are included in the consolidated financial statements of the Group based on the full consolidation method. Taking into consideration that all subsidiaries of the Company were established by the Company, no goodwill of acquisition has appeared. Subsidiary companies are consolidated from the time of its incorporation till their disposal.

(3) Foreign currencies

(a) Functional and presentation currency
Items are shown in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates the functional currency). Financial statements are presented in Latvian lat (Ls), which is the Group'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 recognised in the income statement for the period.

Exchange rates used at the balance sheet date are as follows:

	31.12.2012.	31.12.2011.
1 USD	0.531	0.544
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 RUB	0.0174	0.0170

(4) Segment disclosure

An operation segment is a component of the Group which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(5) Income recognition

Net sales represent the total of goods and services sold during the year net of discounts, value added tax and excise tax. Main operation of the Group is repair and modernization of railway rolling stock. Taking into account the type of repair and modernization work and complicity of the order the period of provisioning the services could exceed 3-6 months.

Contract costs related to repair and modernization services are recognised on the basis of completion. Expenses connected with repair service agreement are recognized in the moment when occurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group apply the stage of completion method to determine the appropriate amount of revenues to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to balance sheet date as a percentage of total estimated costs for each contract or carrying out surveys of work performed to date, which of them are more reliable. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or other assets, depending on their nature.

The Group presents as an asset the gross amount due from the customers for contract work for all contracts in progress for which costs incurred plus recognized profit (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "Trade receivables".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses). Advances received from customers are included within "Other liabilities".

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 provision of other services is recognized by reference to the stage of completion of 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.

(6) Intangible assets

Intangible assets mainly consist of licenses and patents. Intangible assets are stated at historical cost, less accumulated amortization. Depreciation is calculated from the moment as the assets are available for use. Intangible assets depreciation is calculated on a straight- line method to allocate the purchase price up to the estimated residual value of the useful life, using the following periods:

	Depreciation % per annum
Licenses and patents	20

In cases where an intangible asset's financial statement value is greater than its estimated recoverable amount, respective asset's value is reduced to its recoverable value. Recoverable value is the higher of fair value of intangible investment, less costs to sell or value in use.

(7) Property, plant and equipment (tangible assets)

Property, plant and equipment (tangible assets) are initially accounted at the purchase cost. Purchase cost includes costs, which are directly related to the purchase of tangible assets. In financial statements tangible assets are recognised at purchase cost less depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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	1,11-20
Plant and equipment	4-20
Other fixtures and fittings, motor vehicles	20

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The decrease in the value of assets is recognised as the expenses.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalised during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the statement of comprehensive income for the relevant period.

(8) Impairment of tangible and intangible assets

All tangible and intangible assets of the Group have their estimated useful lives and they are amortised or depreciated. Assets that are subject to amortisation and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognised 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.

(9) Lease without redemption rights (operating lease)

In cases, when the material part of the risks and rewards of ownership of the leased assets are remained to the lesser, the transaction is classified as operating lease. Lease payments and prepayment for lease are included in income statement on a straight-line basis over the lease period.

(10) Inventories

The inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of Group's business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realisable value.

(11) Loans and trade receivables

Loans and trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Group 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 reorganisation, 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.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

(13) Share capital and dividends

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

(14) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(15) 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

(16) Pension obligations

The Group pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis.

(17) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(18) Grants

Grants or subsidies received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and recognized as an income in the statement of comprehensive income on straight-line basis over the useful life of the assets acquired. Other subsidies or grants to cover the expenses are recognized as an income in the same period when the respective expenses have arisen and all material conditions in respect of the grants received has been fulfilled. Grants are recognized at the moment of its receipt.

(19) Income tax

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

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

(20) 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.

(21) Related parties

Related parties are defined as major shareholders of the Company, Board and Council members, their close family members and Companies, in which the previously mentioned persons have significant influence or control. Related parties are considered also the companies, that are being under the ultimate control or significant influence of related parties.

1. Net sales

	2012	2011
According to operating activities		
Products production	20 414 283	16 755 399
Other	273 298	393 479
Total	**20 687 581**	**17 148 878**
According to the location		
Income from export to Latvia	2 344 339	3 154 565
Income from export to Russia	13 773 640	7 359 249
Income from export to EU market	2 782 588	4 802 782
Income from export to Belarus	668 976	743 288
Income from export to Uzbekistan	924 864	307 624
Other	193 174	781 370
Total	**20 687 581**	**17 148 878**

2. Production costs

Goods delivery expenses	146 799	111 070
Raw, material and spare parts expenses	10 652 458	8 492 884
Utility expenses	1 485 112	1 039 737
Salary expenses	3 475 266	3 088 709
Social insurance	773 215	737 520
Depreciation of fixed assets	364 080	352 366
Other production costs	537 383	712 163
Total	**17 434 313**	**14 535 449**

3. Selling expenses

Transportation costs	85 565	66 809
Salary	79 608	55 614
Social insurance	19 041	13 266
Mediation services	287 557	254 708
Other	11 346	-
Total	**483 117**	**390 397**

4. Administrative expenses

Salary expenses	1 221 655	1 037 810
Social insurance	291 531	248 124
Utility costs	110 229	113 264
Office expenses	74 059	48 678
Depreciation of fixed assets	90 262	79 454
Professional services costs	16 516	16 516
Other administrative costs	175 977	227 513
Total	**1 980 229**	**1 771 359**

5. Other income

Income from fixed assets sale	2 811	7 028
Rental income	48 356	79 658
Compensation for telephone conversations	6 002	6 618
Other income	7 732	29 553
The rest of the sales	18 378	5 747
Holiday village	1 609	2 049
Depositor In	2 017	-
Total	**86 905**	**130 653**

6. Other expenses

Expenses of collective agreement	12 256	10 978
The residual value of the asset liquidation	2 719	-
Other expenses	166	7 283
Total	**15 141**	**18 261**

7. Fixed assets

	Land and buildings	*Equipment and machinery*	*Other fixed assets and inventory*	*Fixed assets under construction*	***Total***
Cost / Valuation 01.01.2012.	**6 164 848**	**7 026 484**	**718 210**	**48 686**	**13 958 228**
Additions	139 860	458 329	18 915	698 096	1 315 200
Disposals		-124 961	-6 957	-619 571	-751 489
Reclassification					
Revaluation					
31.12.2012.	**6 304 708**	**7 359 852**	**730 168**	**127 211**	**14 521 939**
Depreciation 01.01.2012.	**1 079 298**	**4 631 856**	**633 112**		**6 344 266**
Charge	174 513	317 868	49 854		542 235
Disposals		-122 854	-6 345		-129 199
Reclassification					
Corrections for previous year's error					
31.12.2012.	**1 253 811**	**4 826 870**	**676 621**		**6 757 302**
Net book value 01.01.2012.	**5 085 550**	**2 394 628**	**85 098**	**48 686**	**7 613 962**
Net book value 31.12.2012.	**5 050 897**	**2 532 982**	**53 547**	**127 211**	**7 764 637**

8. Inventory

Unfinished production	145 092	254 315
Materials	1 919 040	1 589 459
Finished goods and items for sale	463 286	384 025
Shop	115	84
Total	**2 527 533**	**2 227 883**

9. Trade receivables

Trade receivables	1 845 502	1 792 710
Total	**1 845 502**	**1 792 710**

10. Other current assets

Guarantee	13 463	8 272
Other debtors	17 166	10 055
Advance payment	183 295	71 490
Payment next periods	18 916	4 350
Total	**232 840**	**94 167**

11. Cash and bank

Cash in hand	1 387	1 545
Cash at bank	27 544	583 616
Total	**28 931**	**585 161**

12. Share capital

As at 31 December 2012 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

13. Loans from credit institutions

Long-term part	1 268 387	1 665 190
Short-term part	1 443 712	2 291 803
Total	**2 712 099**	**3 956 993**

14. Other liabilities

Accumulation for unused vacations	249 139	174 175
Advances from customers	972 426	1 332 968
Salary	275 974	258 670
Social insurance	156 171	129 860
Personnel income tax	81 159	65 683
Other taxes	1 974	1 352
VAT	10 506	11 264
Current year services that are invoiced next year	178 963	79 466
Other	40 078	114 164
Total	**1 966 390**	**2 167 602**

15. Trade payables

Short-term part	2 948 768	1 726 543

16. Taxes and social insurance

	01.01. 2012.	*Calculated*	*(Paid)/ repaid*	*Transferred and corporate income tax (advances payment)*	*31.12.2012.*
VAT	11 264	-690 804	25 179	+715 225	10 506
Personnel income tax	65 683	856 932	794 255	-47 201	81 159
Social insurance	129 860	1 660 158	961 103	-672 744	156 171
Corporate income tax	-4 768	-	8 608	+4 720/8 656	-
Real estate tax (land)	-	3 977	3 977	-	-
Real estate tax (buildings)	-	40 565	40 565	-	-
Natural resource tax	1 094	6 135	5 542	-	1 687
The state tax for company's business	258	3 357	3 328	-	287
Total	**203 391**	**1 880 320**	**1 842 557**	**0/+8 656**	**249 810**

Hereof:

Liabilities/	208 159	249 810
(Overpaid)	4 768	-

17. Average number of employees

Average number of employees	1 078	1 000

Natālija Petrova
Chairman of the Board

AS "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 2012

Activities	2012. LVL		2012. EUR		2011. LVL		2011. EUR	
	income	expences	income	expences	income	expences	income	expences
Profit before taxes	800 317		1 138 748		312 707		444 942	
Adjustments: a) depreciation	547 426		778 917		437 170		622 037	
b) provision		2 392		3 404	9 241		13 149	
c) profit or loss from fluctuacions of currency exchange		3 183		4 529	77 173		109 807	
Provision decrease								
Income from sale of fixed assets								
Interest exspenses	2 719		3 869					
Adjustments: a) Changes in accounts receivables		1 089 241		1 549 850	21 110		30 037	
b) Changes in reserves		299 650		426 363		209 463		298 039
c) Changes in accounts payables	1 425 806		2 028 739			1 295 135		1 842 811
Gross cash flow operating activities	2 776 268	1 394 466	3 950 273	1 984 146	857 401	1 504 598	1 219 972	2 140 850
Corporate income tax paid					36 661		52 164	
Cash flow before extraordinary items	2 776 268	1 394 466	3 950 273	1 984 146	894 062	1 504 598	1 272 136	2 140 850
Net cash flow from operating activities	1 381 802		1 966 127			610 536		868 714

II. Cash flows from investing activities

Activities	2012. LVL		2012. EUR		2011. LVL		2011. EUR	
	income	expences	income	expences	income	expences	income	expences
Acguisition of fixed assets and intangible assets		696 801		991 458		1 637 916		2 330 545
Income from sale of fixed assets and intangible assets								
Parficipation in other companies	480		683		500	480	711	683
Net cash flow from investing activities		696 321		990 775		1 637 896		2 330 517

III. Cash flows from financing activities

Activities	2012. LVL		2012. EUR		2011. LVL		2011. EUR	
	income	expences	income	expences	income	expences	income	expences
Loans from credit institution					4 420 832		6 290 277	
Borrowing repaid		1 241 711		1 766 796		2 196 889		3 125 891
Net cash flows from financing activities		1 241 711		1 766 796	2 223 943		3 164 386	

IV. Total cash flow

Activities	2012. LVL		2012. EUR		2011. LVL		2011. EUR	
	income	expences	income	expences	income	expences	income	expences
Cash flow from operating activities	1 381 802		1 966 127			610 536		868 714
Cash flows from investing activities		696 321		990 775		1 637 896		2 330 517
Cash flows from financing activities		1 241 711		1 766 796	2 223 943		3 164 386	
Net cash flow of the current period	556 230		791 444		24 489		34 845	
Cash and cash eguivalents at the beginning of the reporting period	585 161		832 609		609 650		867 454	
Cash and cash eguivalents at the end of the reporting period	28 931		41 165		585 161		832 609	

Chairman of the Board N.Petrova Date 31.12.2012