BAKER TILLY
BALTICS

Baker Tilly Baltics SIA
Kronvalda bulv. 10-32
Riga, LV-1010
Latvia
Tel.: +371 6732 1000
Fax.: +371 6732 4444
www.bakertillybaltics.lv

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Daugavpils Lokomotīvju Remonta Rūpnīca AS

Report on the Financial Statements

We have audited the accompanying financial statements of Daugavpils Lokomotīvju Remonta Rūpnīca AS (the Company) set out on pages 5 to 29 of the annual report. These financial statements comprise the balance sheet as at 31 December 2013, and the income statement, statement of cash flow and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia On Annual Reports and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia On Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2013 as set on page 4 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements.

Baker Tilly Baltics SIA
Licence No. 80

Ēriks Bahirs
Certified Auditor
Certificate No.136
Chairman of the Board

Riga, 29 April 2014

ENG

AS Daugavpils Lokomotīvju Remonta Rūpnīca

ANNUAL REPORT

for the period ended 31 December 2013

prepared in accordance with Law On Annual Reports

CONTENTS

INFORMATION ON THE COMPANY

Name of the company	AS Daugavpils Lokomotīvju Remonta Rūpnīca
Legal status of the company	Joint Stock Company
Number, place and date of registration	Company Register Nr. 40003030219 Riga, 3 October 1991 Commercial Register Riga, 8 June 2004
Address	Marijas street 1 Daugavpils, LV-5401 Latvia
Type of operations	NACE: 30.20 Railroad locomotives and rolling stock manufacturing
Major Shareholders	AS Skinest Rail (Estonia) - 47,97% AS Spacecom (Estonia) - 25,27% Other shareholders - 26,76%
Names and positions of the Council members	Oleg Ossinovski - Chairman of the Council Aivar Keskula - Vice Chairman of the Council Sergei Jakovlev - Member of the Council Lauri Reinhold - Member of the Council (from 19.02.2014) Mihhail Terentjev - Member of the Council (from Tomas Petraitis - Member of the Council (till 19.06.2014) Natalja Kumar - Member of the Council (till 19.02.2014)
Names and positions of the Board members	Natālija Petrova - Chairman of the Board Eduards Krukovskis - Member of the Board Aleksejs Kolpakovs - Member of the Board Mihails Mamonovs - Member of the Board (till 19.02.2014)
Financial year	1 January, 2013 - 31 December, 2013
Auditor's name and address:	Baker Tilly Baltics SIA License No. 80 Kronvalda boulevard 10 Riga LV-1010 Latvia Certified auditor in charge Eriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

Basic activity of AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA" (further - the Company) is railway rolling stock overhaul repair, maintenance and upgrade, manufacturing and repair of its spare parts. The Company provides repair services of all types of railway rolling stock - diesel and electric locomotives and electric trains.

Performance of the Company during the financial year

In 2013 net sales of the Company were 36,6 million EUR (in 2012 - 43,5 million EUR). Sales of principal activity comprised 25 million EUR, that compile 18% reduction against to the 2012. In addition to principal activity the Company rendered to subsidiaries the following services: sales of materials, rent, administration and management services and others, which provides the additional net sales of 12 million EUR (in 2012 - 13.1 million EUR). During the reporting period the Company was working full-time and ended the year with a losses of 263,9 thousand EUR. During the reporting year, the Company has continued the acquisition of new products' manufacturing technology, using the equipment, that was purchased in 2011 in cooperation with ERDF funds. In 2012 the implementation process of a new resource planning system has been started, which is planned to be implemented till the end of 2014.

Performance of the Group during the financial year

In 2012 the Group's consolidated net sales amounted to 25,6 million EUR (decrease of 18% in respect of net sales of 2012).

The Group finished the year 2013 with losses 242 thousand EUR. In 2013 the Group exported its products to 8 countries, the total export volume amounted to 23,2 million EUR (in 2012 - 28 million EUR), while net sales in Latvia amounted to 2,4 million EUR (in 2012 - 3,3 million EUR). The main directions of export in 2013 were EU countries: Lithuania and Estonia, and third countries: Russia, Belarus and Uzbekistan.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 35

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the Company.

Future prospects

In 2014 the Company will continue the development in the sector of railway rolling stock repair and spare parts production, as well as continuing the started new projects in 2013. The Company plans to expand its customer base in the rolling stock repair and spare part production sector, as well as to attract customers to a new strands. The Company will continue the project of modernization of the existing infrastructure with ERDF funds financing assistance. Part of this project is expected to be completed at the end of 2014.

The Company's key priority remains - higher quality control for the services and goods produced and the extension of offered services and goods produced nomenclature.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with the Laws of the Latvian Republic On Accounting and On the Annual Reports. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management confirms that in preparation of financial statements on page 6 to page 29 decisions and assessments were made prudent and reasonable. Accounting policies compared with last year have not changed. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

INCOME STATEMENT

	Note	2013 EUR	2012 EUR
Net sales	(1)	36 637 500	43 527 160
Cost of sales	(2)	(34 739 561)	(40 359 645)
Gross profit or losses		**1 897 939**	**3 167 515**
Distribution expenses	(3)	(491 435)	(628 043)
Administrative expenses	(4)	(1 732 382)	(1 601 969)
Other operating income	(5)	208 697	348 567
Other operating expenses	(6)	(71 690)	(35 387)
Interest and similar expenses	(7)	(77 559)	(133 730)
Profit or losses before taxes		**(266 430)**	**1 116 952**
Corporate income tax	(8)	61 987	(109 136)
Other taxes	(9)	(59 510)	(63 009)
Net profit or losses		**(263 953)**	**944 807**
Earnings per share (in euro cents)	(10)		
Basic		(3,18)	11,39
Diluted		(3,18)	11,39

Notes on pages 11 to 29 are an integral part of these financial statements.

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Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

BALANCE SHEET

	Note	31.12.2013. EUR	31.12.2012. EUR
ASSETS			
Non-current assets			
Intangible assets:			
Other intangible assets	(11)	17 960	18 843
Total intangible assets:		**17 960**	**18 843**
Fixed assets:			
Land and buildings	(11)	2 074 451	1 911 301
Equipment and machinery	(11)	3 847 185	3 604 108
Other fixed assets	(11)	82 367	76 191
Fixed assets under construction	(11)	365 080	179 582
Advances for fixed assets	(11)	1 384 380	-
Total fixed assets:		**7 753 463**	**5 771 182**
Investment property:			
Buildings	(11)	3 218 602	3 174 285
Total non-current financial investments:		**3 218 602**	**3 174 285**
Non-current financial investments:			
Investments in subsidiaries	(12)	31 303	31 303
Total non-current financial investments:		**31 303**	**31 303**
Total non-current investments:		**11 021 328**	**8 995 613**
Current assets			
Inventories:			
Raw materials and consumables	(13)	2 996 161	2 185 703
Finished goods and goods for sale	(14)	138 274	129 732
Advances for inventories		405 679	248 418
Total inventories:		**3 540 114**	**2 563 853**
Account receivable:			
Trade receivables	(15)	1 476 226	2 412 808
Receivables from group companies	(16)	3 114 064	3 997 131
Other receivables	(17)	273 805	37 197
Deferred expenses	(18)	29 655	26 915
Accrued income	(19)	3 574 795	5 329 167
Total receivables:		**8 468 545**	**11 803 218**
Cash and bank:	(20)	**214 537**	**39 290**
Total current assets:		**12 223 196**	**14 406 361**
Total assets		**23 244 524**	**23 401 974**

Notes on pages 11 to 29 are an integral part of these financial statements.

BALANCE SHEET

	Note	31.12.2013. EUR	31.12.2012. EUR
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	(21)	11 801 610	11 801 610
Non-current investments' revaluation reserve	(11)	1 604 712	1 630 529
Retained earnings			
previous year's retained earnings		(5 352 779)	(6 297 586)
current years profit or losses		(263 953)	944 807
Total equity:		**7 789 590**	**8 079 360**
Provisions:	(22)	796 818	704 330
Liabilities:			
Non-current liabilities:			
Loans from banks	(23)	2 249 228	1 804 752
Deferred income tax liabilities	(8)	360 578	427 121
Deferred income	(28)	527 971	551 969
Total non-current liabilities:		**3 137 777**	**2 783 842**
Current liabilities:			
Loans from banks	(23)	2 364 528	2 054 219
Other borrowings	(24)	250 000	-
Advances from customers		2 343 427	1 399 412
Trade payables		2 980 642	3 313 798
Payables to group companies	(25)	304 469	292 218
Taxes and social insurance payments	(26)	47 696	110 734
Other liabilities	(27)	269 617	78 977
Deferred income	(28)	23 998	26 628
Accrued liabilities	(29)	2 935 962	4 558 456
Total current liabilities:		**11 520 339**	**11 834 442**
Total liabilities:		**14 658 116**	**14 618 284**
Total equity, provisions and liabilities		**23 244 524**	**23 401 974**

Notes on pages 11 to 29 are an integral part of these financial statements.

Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Non-current assets revaluation reserve	Retained earnings	Total
		EUR	**EUR**	**EUR**	**EUR**
31.12.2011.		**11 801 610**	**1 677 720**	**(6 297 586)**	**7 181 743**
Disposal of revalued fixed assets	(11)	-	(55 519)	-	(55 519)
Changes in deferred tax liabilities	(8)	-	8 328	-	8 328
Profit for the year		-	-	944 807	944 807
31.12.2012.		**11 801 610**	**1 630 529**	**(5 352 779)**	**8 079 360**
Disposal of revalued fixed assets	(11)	-	(30 373)	-	(30 373)
Changes in deferred tax liabilities	(8)	-	4 556	-	4 556
Losses for the year		-	-	(263 953)	(263 953)
31.12.2013.		**11 801 610**	**1 604 712**	**(5 616 732)**	**7 789 590**

Notes on pages 11 to 29 are an integral part of these financial statements.

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Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

CASH FLOW STATEMENT

	Note	2013 EUR	2012 EUR
Cash flow from operating activities			
Profit or losses before taxes		**(266 430)**	**1 116 952**
Adjustments for:			
depreciation of investment property, fixed and intangible assets	(11)	732 331	716 848
profit from sales and disposal of fixed assets	(5)	(30 373)	(59 519)
loss on disposal of investment in subsidiaries		-	683
changes in provisions		137 912	20 669
(gains)/losses from exchange rate fluctuations		(23 650)	(4 747)
interest expenses	(7)	70 803	116 737
Cash flow prior to changes in current assets and liabilities		**620 593**	**1 907 623**
Inventory (increase)/decrease		(987 719)	(376 517)
Account receivable (increase)/decrease		3 392 374	(2 534 912)
Account payable increase/(decrease)		(912 947)	2 419 534
Gross cash flow generated from operating activities		**2 112 301**	**1 415 728**
Interest paid		(74 726)	(108 972)
Corporate income tax paid	(26)	(132 716)	-
Net cash flow generated from operating activities		**1 904 859**	**1 306 756**
Cash flow from investing activities			
Acquisition of investment property, fixed and intangible assets	(11)	(2 758 046)	(991 863)
Proceeds from sales of fixed assets		-	63 388
Net cash flow generated from investing activities		**(2 758 046)**	**(928 475)**
Cash flow from financing activities			
Subsidies, grants or donations received		-	599 967
Loans received	(23), (24)	2 313 003	-
Loans repaid	(23), (24)	(1 284 569)	(1 766 793)
Net cash flow generated from financing activities		**1 028 434**	**(1 166 826)**
Net increase / (decrease) in cash and cash equivalents		**175 247**	**(788 545)**
Cash and cash equivalents at the beginning of the financial year		**39 290**	**827 835**
Cash and cash equivalents at the end of the financial year	(20)	**214 537**	**39 290**

Notes on pages 11 to 29 are an integral part of these financial statements.

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Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports.

The financial statements have been prepared according to the historical cost accounting principle, that is modified by revaluation of tangible assets and investment property at fair value, as recognized in Notes (5) to accounting policies. The income statement is prepared in accordance with the turnover cost method. The cash flow statement has been prepared under indirect cash flow method.

(2) Reclassification of comparatives

Certain items have been classified differently than in previous year financial statements. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	2012 Name of line item	2013 Name of line item	EUR
Net gains from foreign exchange rate fluctuations	Interest and similar expenses	Other operating expenses	72 909

(3) Income recognition and net sales

Net sales contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:
Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
Rendering of services - under the stage of completion method;
Income from fines and penalties - at the moment of receiving the payments;
Interest income - on an accrual basis.

Income from repair and modernization services is recognised on the basis of percentage of completion method. Contract costs related to repair and modernization services are recognised when incurred. 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 construction 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 Company 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. 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 Company 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) subtracting progress billings. Progress billings not yet paid by customers and retention are disclosed under "Trade receivables".

The Company 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 disclosed under "Advances from customers".

(4) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
1 USD	0,515	0,531
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204
1 RUB	0,0156	0,0174

(5) Fixed and intangible assets

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets.

Buildings and constructions are recognized at fair value of regularly made independent evaluation, less accrued depreciation. Land is recognized at fair value of regularly made independent evaluation. The difference that appears from revaluation is recognized in equity under “Non-current assets revaluation reserve”. All other fixed and intangible assets arerecognized at acquisition cost less accumulated depreciation. The acquisition costs include all related expenses of asset acquisition.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation % per annum
Intangible assets	20
Buildings	1,11 - 20
Technological equipment	4 - 20
Other machinery and equipment, transport vehicles	20

The Company capitalizes its fixed assets valued over Ls 300 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than Ls 300 is calculated at 100% after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

(6) Investment property

Investment property is property (land, building or part of building) held by the Company (as owner or by lessee under a finance lease) to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

Investment property initially recognized at purchase cost. Further the investment property are recognized at fare value of regularly made independent evaluation, less accrued depreciation. Differences in value arising from revaluation is recognized in equity under “Long-term assets revaluation reserve".

Depreciation of buildings is calculated on a straight-line basis applying the following rates of depreciation, based on their estimated useful life:

	Depreciation % per annum
Buildings	1,67 - 10

(7) 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.

(8) Inventories

Inventories are stated at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses are included in the production cost of inventories. Selling and administration expenses have not included in cost. Cost is stated on the FIFO method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

(9) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Provisions for doubtful receivables are established when the management of the Company considers that it is probable that the total amount of receivables will not be collected .

(10) Investments in group and associates, other financial investments

Non-current financial investments, including investments in subsidiaries and associates, are stated at cost less impairment losses.

(11) 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.

(12) 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.

(13) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their tax basis, unless the deferred tax asset or liability is not the initial recognition, that are not business merging and at the transaction time does not affect the financial nor taxable profit. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilised.

(14) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(15) 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 income statement 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 in the financial statements in the period, in which the grants are received.

(16) 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.

(17) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

(18) Related parties

Related parties are considered Group and associated companies, Board and Council members, their close family members and companies, in which the previously mentioned persons/Group companies have significant influence or control.

II. OTHER NOTES

(1) Net sales

	2013 EUR	2012 EUR
a) By operating activities		
Income from railway rolling stock repair and upgrade services	22 113 633	28 032 245
Income from sales of materials (see Note (34))	9 343 581	10 598 093
Income from sales of railway rolling stock	2 567 574	2 360 417
Income from rent of premises and equipment (see Note (34))*	1 799 014	1 804 405
Other income	510 854	397 017
Management and administrative services (see Note (34))	274 354	274 354
Other income from transactions with subsidiaries (see Note (34))	28 490	60 629
	36 637 500	**43 527 160**

* Rental income

The Company rents most of the property, plants and equipment and other tangible assets to its subsidiary SIA "Remenergo". Rental income for property, plants and equipment in 2013 amounted to EUR 1 799 014 (2012 - EUR 1 804 405). Rent agreements are signed till 31 December 2014.

b) By location

The Company operates in Latvian territory by selling repair services and spare parts on the domestic market, as well as performing this service and goods exports.

The Company's activity is divided into several geographic markets, which is provision of services and sale of goods to Latvian residents, income from the export of services, broken down by country of Object registration, and income from export of goods, which are divided according to customer's country of registration.

	2013 EUR	2012 EUR
Income from sales of goods/services to Russia	15 168 514	21 185 452
Income from sales of goods/services in Latvia	13 681 815	15 808 059
Income from sales of goods/services to EU	5 668 627	3 991 982
Income from sales of goods/services to Belarus	1 543 900	951 867
Income from sales of goods/services to Uzbekistan	301 679	1 315 963
Income from sales of goods/services to other countries	272 965	273 837
	36 637 500	**43 527 160**

(2) Cost of sales

Service costs from subsidiaries	21 502 958	19 989 264
Costs of materials and goods from subsidiaries and others	11 076 017	18 653 380
Depreciation of fixed assets	575 495	586 871
Other production costs	877 158	480 128
Utility expenses	293 728	300 757
Expenses related to purchase of materials and goods	219 361	205 598
Salary expenses	82 602	71 136
Changes in provisions for warranty repairs	92 488	55 491
Social insurance costs	19 754	17 020
	34 739 561	**40 359 645**

(3) Distribution expenses

	2013 EUR	2012 EUR
Brokerage services	138 966	348 434
Salary expenses	135 837	113 722
Transport costs	135 806	119 379
Social insurance costs	32 517	27 201
Other distribution costs	48 309	19 307
	491 435	**628 043**

(4) Administrative expenses

Salary expenses	831 737	755 516
Social insurance costs	198 209	180 104
Utility expenses	180 100	187 224
Other administration costs	175 023	151 506
Depreciation of fixed assets	155 390	128 431
Other personnel costs	69 965	94 830
Office maintenance costs	63 417	67 820
Professional service costs	29 557	11 192
Rent expenses	25 112	22 739
Representation costs	3 872	2 607
	1 732 382	**1 601 969**

(5) Other operating income

Rental income	115 853	70 562
Net income from sale and disposal of fixed assets, including write-off of revaluation reserve	30 373	59 519
Received ERDF grant (see Note (28)) for the acquisition of assets	23 998	24 502
Other income	16 446	35 993
Other financing from EU funds	14 045	-
Net gain from exchange rate fluctuations	7 982	72 909
Changes in provisions for financial support (see Note (22))	-	85 081
	208 697	**348 567**

(6) Other operating expenses

Costs of collective employment agreement	38 560	16 889
Other costs	7 938	9 548
Impairment losses for receivables	25 192	8 950
	71 690	**35 387**

(7) Interest and similar expenses

Interest expense	81 060	116 737
(Capitalized interest)	(10 257)	-
Interest expense, net	70 803	116 737
Penalties paid	6 756	16 993
	77 559	**133 730**

(8) Corporate income tax

a) Components of corporate income tax	2013 EUR	2012 EUR
Changes in deferred income tax	(61 987)	62 301
Corporate income tax according to the tax return	-	46 835
	(61 987)	**109 136**

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2013 EUR	2012 EUR
Profit before taxes	(266 430)	1 116 952
Real estate taxes	(59 510)	(63 009)
Profit before corporate income tax	(325 940)	1 053 943
Theoretically calculated tax at 15% tax rate	**(48 891)**	**158 091**
Tax effects on:		
Permanent differences	13 236	11 531
Tax discount for the acquisition new technological equipment	(19 845)	(22 831)
Tax losses forwarded from other group companies	-	(37 534)
Tax discount for reinvested profit	(6 487)	(121)
Total corporate income tax expenses	**(61 987)**	**109 136**

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	427 121	373 148
Deferred tax charged to the income statement	(61 987)	62 301
Changes in deferred tax recognised in non-current investment (fixed assets) revaluation reserve	(4 556)	(8 328)
Deferred tax liabilities (asset) at the end of the financial year	**360 578**	**427 121**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013. EUR	31.12.2012. EUR
Temporary difference on depreciation of fixed, intangible assets and investment property	569 792	553 045
Gross deferred tax liabilities	**569 792**	**553 045**
Provisions for financial support and warranty costs	(119 524)	(105 650)
Provisions for impairment of inventories	(24 547)	(20 274)
Tax losses carried forward	(65 143)	-
Gross deferred tax assets	**(209 214)**	**(125 924)**
Net deferred tax liability (assets)	**360 578**	**427 121**

(9) Other taxes

	2013 EUR	2012 EUR
Real estate tax for land	5 646	5 653
Real estate tax for buildings	53 864	57 356
	59 510	**63 009**

(10) Earnings per Share (Expressed in Santims per Share)

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	2013	2012
Profit attributed to shareholders of the Company (EUR)	(263 953)	944 807
Average annual number of shares	8 294 219	8 294 219
Earnings per share (expressed in euro cents)	**(3,18)**	**11,39**

(11) Intangible, fixed assets and investment property

	Intangible assets	Investment property	Property, plant and equipment				
	Concessions, licenses, trade marks etc.	Buildings	Lands and buildings	Equipment and machinery	Other assets	Assets under construction and advances for fixed assets	Property, plant and equipment total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2012.	37 727	4 066 697	2 563 000	10 470 693	1 038 064	179 582	14 251 339
Additions	-	-	-	-	-	2 758 046	2 758 046
Disposals	-	-	-	(72 706)	(225 251)	-	(297 957)
Reclassification	7 999	188 333	226 183	731 693	33 960	(1 188 168)	(196 332)
31.12.2013.	45 726	4 255 030	2 789 183	11 129 680	846 773	1 749 460	16 515 096
Depreciation							
31.12.2012.	(18 884)	(892 412)	(651 699)	(6 866 585)	(961 873)	-	(8 480 157)
Calculated	(8 882)	(144 016)	(63 033)	(488 616)	(27 784)	-	(579 433)
Disposals	-	-	-	72 706	225 251	-	297 957
31.12.2013.	(27 766)	(1 036 428)	(714 732)	(7 282 495)	(764 406)	-	(8 761 633)
Net carrying amount 31.12.2012.	**18 843**	**3 174 285**	**1 911 301**	**3 604 108**	**76 191**	**179 582**	**5 771 182**
Net carrying amount 31.12.2013.	**17 960**	**3 218 602**	**2 074 451**	**3 847 185**	**82 367**	**1 749 460**	**7 753 463**

In accordance with the accounting policy of the Company, all land and buildings owned by Company, except those which are leased out to subsidiaries of the Company, are classified as tangible assets (see Note (34)), other land and buildings classified as investment property.

Intangible, fixed assets and investment property (continuation)

a) Fixed assets and Investment property revaluation

In 1996, 1999 and 2001 the Company has revaluated land, buildings and equipment. Respectively in 1996 value of tangible assets was increased by EUR 938 438, in 1999 by EUR 1 875 134 and in 2001 by EUR 1 266 290. Real estate market value was determined using the sales comparison method, as well as revenue discounting method. The difference accrued in the result of revaluation is recognized in the equity item "The long-term assets revaluation reserve".

With the assistance of licensed independent experts in 2007, 2008 and 2009 the Company has revaluated its own land and buildings. The increase of value occurred as a result of revaluations was in the amount of EUR 3 606 792 in 2007 and EUR 1 931 073 in 2008 and EUR 410 947 in 2009 (less the amount of deferred tax liabilities related to the revaluation of tangible assets) are deducted from revaluation reserves. As per management's estimates no significant factors were identified during the reporting period, that would have a material effect on the changes of the assets value, as a result no impairment test on assets was performed.

Had not the revaluation been performed the value of land and building (total value for fixed assets and investment property) would be the following:

	31.12.2013. EUR	**31.12.2012. EUR**
Cost	7 438 471	7 024 031
Accumulated depreciation	(2 701 602)	(2 585 987)
Net carrying amount	**4 736 869**	**4 438 044**

Total fixed assets and investment property revaluation amount on the 31 December 2013, less deferred tax effect, was EUR 1 604 712 (31.12.2012 - EUR 1 630 529).

b) Capital commitment for acquisition of fixed assets

During the reporting year, the Company has initiated agreements with the Latvian Investment and Development Agency (LIAA) within the EU co-funded project "High value-added investments' execution". Financing for the Company will be available of 35% of the eligible project costs, provided that the terms for the financing specified in the agreement will be satisfied. Within the project the Company has signed contracts with 18 suppliers for equipment purchases. Till the end of the year in accordance with the agreements advances have been paid for equipment in amount of EUR 1 384 380, which are recognized in the item "Advances for fixed assets." Following the signed agreements the Company has obligation to make total payments for equipment in the amount of EUR 3 643 867.

c) Other notes

Company's land plots cadastral value on 31 December 2013 is EUR 473 677 (31.12.2012 - EUR 472 479), the cadastral value of buildings is EUR 4 626 557 (31.12.2012 - EUR 4 713 452).

Information on pledged fixed assets and investment properties is disclosed in the Note (23) to the financial statements.

(12) Equity investments

a) movement of investments

	Non-current	
	Investments in subsidiaries	Total
	EUR	EUR
Cost		
31.12.2012.	31 303	31 303
31.12.2013.	31 303	31 303
Changes of value of investments		
31.12.2012.	-	-
31.12.2013.	-	-
Net carrying amount 31.12.2012.	**31 303**	**31 303**
Net carrying amount 31.12.2013.	**31 303**	**31 303**

b) investments in subsidiaries

		Participating interest		Equity		Profit/(loss)	
Name	**Address**	**31.12.2012.**	**31.12.2013.**	**31.12.2012.**	**31.12.2013.**	**2012**	**2013**
		%	**%**	**EUR**	**EUR**	**EUR**	**EUR**
SIA REL	Marijas 1, Daugavpils	100%	100%	(83 469)	(47 370)	3 634	36 098
SIA Elap	Marijas 1, Daugavpils	100%	100%	51 440	97 381	13 092	45 942
SIA Remdīz	Marijas 1, Daugavpils	100%	100%	(83 530)	(105 445)	186 021	(21 915)
SIA Ritrem	Marijas 1, Daugavpils	100%	100%	203 513	287 609	45 105	84 096
SIA Elektromaš	Marijas 1, Daugavpils	100%	100%	489 832	612 573	198	122 743
SIA Krāsotājs	Marijas 1, Daugavpils	100%	100%	(188 826)	(167 485)	56 608	21 342
SIA SPZČ	Marijas 1, Daugavpils	100%	100%	(23 870)	167 811	337 030	191 681
SIA Metalurgs	Marijas 1, Daugavpils	100%	100%	(286 087)	(735 205)	(248 727)	(449 118)
SIA Remenergo	Marijas 1, Daugavpils	100%	100%	(184 260)	(111 281)	73 080	72 979
SIA Instruments	Marijas 1, Daugavpils	100%	100%	(152 967)	(152 967)	(17)	-
SIA Loģistika	Marijas 1, Daugavpils	100%	100%	12 870	14 626	1 581	1 756
				(245 354)	**(139 753)**	**467 605**	**105 604**

The activity of subsidiary companies is the overhaul repair of different parts of railway rolling stock, maintenance and upgrade, as well as additional function performance, including:

SIA REL	Railway rolling stock carboy repair and upgrade
SIA Elap	Repair and upgrade of electric equipment of rolling stock
SIA Remdīz	Repair of engine and it's knots of rolling stock
SIA Ritrem	Repair and upgrade of wheel couples and lorry, it's knots of rolling stock
SIA Elektromaš	Repair and producing of electromotor, generators and transformers
SIA Krāsotājs	Dyeing of rolling stock
SIA SPZČ	Repair and production of spare parts
SIA Metalurgs	Metal foundry
SIA Remenergo	Maintenance of movable property and real estate, technical control and overhaul of buildings, constructions and producing equipment, rendering services of public facilities to Group companies
SIA Instruments	Not active
SIA Loģistika	Logistics, loading, unloading services

(13) Raw materials and consumables

	31.12.2013. EUR	31.12.2012. EUR
Book value of raw materials and consumables	3 124 362	2 285 405
(Provisions for damaged and slow moving stock)	(128 201)	(99 702)
	2 996 161	**2 185 703**

(14) Finished goods and goods for resale

Finished goods	173 568	165 026
Other goods for sale	164	164
(Provisions for damaged and slow moving stock)	(35 458)	(35 458)
	138 274	**129 732**

(15) Trade receivables

Book value of trade receivables	2 855 993	3 775 650
(Provisions for bad and doubtful debts)	(1 379 767)	(1 362 842)
	1 476 226	**2 412 808**

Provisions for bad and doubtful debts have been created in the amount of 50% - 100% of their book value.

Movement of provisions for trade receivables is the following:	31.12.2013. EUR	31.12.2012. EUR
Provisions at the beginning of the year	1 362 842	1 354 575
Decrease of provisions for written off bad debts	(8 267)	-
Provisions created in the reporting period	25 192	8 267
Provisions at the year end	**1 379 767**	**1 362 842**

(16) Receivables from group companies

Settlements with subsidiaries (see Note (34))	3 027 747	3 910 814
Loans to subsidiaries (see Note (34))	86 317	86 317
	3 114 064	**3 997 131**

(17) Other receivables

Corporate income tax overpaid (see Note (26) for details)	87 108	-
Retentions on contracts	60 654	19 156
Other receivables	56 161	13 208
VAT overpaid (see Note (26))	46 080	-
VAT for advances received	22 008	3 929
Payments for other loans	1 764	-
Payments to personnel	30	904
	273 805	**37 197**

(18) Deferred expenses

	31.12.2013. EUR	31.12.2012. EUR
Insurance payments	25 502	21 232
Other expenses	4 153	5 683
	29 655	**26 915**

(19) Work-in-progress on repair and modernisation services

Costs incurred and profit recognised as income	3 574 795	5 329 167
Gross amount of accrued income	**3 574 795**	**5 329 167**
where:		
Work-in-progress as assets (under "Accrued income")	3 574 795	5 329 167
	3 574 795	**5 329 167**
Corresponding amounts:		
Contract revenue recognised in income statement (under "Net sales")	22 113 633	28 032 245
Advances received from customers (under "Advances from customers")	2 343 427	1 399 412
Retentions on contracts (under "Other receivables")	60 654	19 156

(20) Cash and bank

	31.12.2013. EUR	31.12.2012. EUR
Cash at bank on current accounts	213 582	37 316
Cash on hand	955	1 974
	214 537	**39 290**

(21) Share capital

Registered and fully paid share capital of the Company is EUR 11 801 610, which consist of 8 294 219 fully paid registered shares. Nominal value of each share is EUR 1,42. All shares guarantees equal rights to dividends, reception of liquidation quotas and suffrage in shareholder's meeting. One share gives rights to 1 vote. All shares are dematerialized. The Company do not hold own shares or someone else in it's interest. Shares are not convertible, exchangeable or guaranteed.

The Company's shares are quoted in AS NASDAQ OMX stock exchange in second list. At the end of financial period 8 294 219 shares are quoted.

(22) Provisions

	Provisions for warranty costs	Provisions for financial support to subsidiaries	Total
	EUR	EUR	EUR
31.12.2011.	**20 960**	**712 960**	**733 920**
Increase	55 491	-	55 491
Decrease	-	(85 081)	(85 081)
31.12.2012.	**76 451**	**627 879**	**704 330**
Increase	92 488	-	92 488
31.12.2013.	**168 939**	**627 879**	**796 818**

a) Provision for warranty costs

In accordance with sales contracts the Company provides free of charge warranty repairs under general repair terms. Taking into account that the rolling stock repairs actually are carried out by the subsidiaries of the Company, which estimates the provisions for warranty repairs in its individual financial statements, the provision in financial statements of the Company are valued as difference between the Group's estimated warranty costs and provisions for warranty created by subsidiaries.

b) Provisions for financial support

In accordance with Group's operation model described in Note (34) the Company provides to subsidiary's the financial resources for supporting their operations. Subsidiaries results of operations and financial positions are disclosed in Note (12) to the financial statements. Taking into account that part of subsidiaries have negative financial results of operations, it is expected that the Company or the Group's other subsidiaries may not recover the investment or the debt of those companies. The Company issued a support letter to all subsidiaries companies for the further financial support.

The Company makes provisions for its contingent liabilities for guarantees issued to subsidiaries to support the operations. The provisions are calculated based on the projected financial results and cash flows of the subsidiaries. In the current year the subsidiaries' financial performance and position has improved thus the total negative equity of all subsidiaries decreased to EUR 139 753. However the Company has not made the decision on the potential reorganization of some loss making subsidiaries, therefore, based on conservative approach, the level of provisions has not been decreased in the current year.

(23) Loans from banks

	Note	31.12.2013.	31.12.2012.
		EUR	EUR
Non-current			
Investment credit in USD	a)	480 211	765 176
Investment credits with EU structural funds co-financing in EUR	c)	1 480 101	593 089
Investment credit in EUR	b)	288 916	446 487
		2 249 228	**1 804 752**
Current			
Credit line in EUR	d)	1 469 057	1 417 284
Investment credits with EU structural funds co-financing in EUR	c)	475 990	209 316
Current part of investment credit in USD	a)	261 909	270 047
Current part of investment credit in EUR	b)	157 572	157 572
		2 364 528	**2 054 219**

a) On October 2011, the Company signed a contract with SWEDBANK AS for investment loan USD 1 755 394. The loan must be repaid till 31.10.2016. The interest rate is 1.29% plus 3 months LIBOR.

b) On October 2011, the Company has signed a contract with SWEDBANK AS for investment loan of EUR 773 948 amount. The loan to be repaid until 31.10.2016. The interest rate is 1.5% + 3 month EURIBOR.

Loans from banks (continuation)

c) On October 2011, the Company signed an agreement with SWEDBANK AS for investment loans, which provides financing of EUR 1 559 392 for EU Structural Funds project. The loan must be repaid till 31.10.2016. The interest rate is 1.5% + 3 month EURIBOR. In February 2012 from LIAA a payment was received in amount of EUR 599 967 , by which liabilities to SWEDBANK AS were partly covered.

During the financial year, the Company signed a supplementary agreement with SWEDBANK AS for investment loan, which intended to finance equipment under the new agreement with LIAA, loan amount of EUR 4 400 000 with a maturity date 07.05.2015. The interest rate is 2.7% + 3 month EURIBOR until the equipment has been put into operation (final deadline of 31.12.2014) and the funding is received, subsequently fixed rate decreases to 2.4%.

d) On October 2011, the Company has signed a contract with SWEDBANK AS on the granting of credit line of EUR 1 500 000. The credit line repayable by 31.12.2014. The interest rate is 1.75% + 3month EURIBOR and 0.2% per annum on the amount of unused credit line. Starting from 31.01.2014 interest rate has been increased to 2.2% + 3month EURIBOR and 0,3% per annum on the amount of unused credit line.

The implementation of obligations of the Company are provided and strengthened by:
(i) mortgage on all real estate belonged to the Company;
(ii) commercial pledge of all property of the Company as a totality of belongings at the mortgage moment, as well as totality of belongings for the next components.
The value of Company's mortgaged balance assets on 31 December 2013 is EUR 23 244 524 (31.12.2012 - EUR 23 401 974).

(24) Other borrowings

	31.12.2013. EUR	31.12.2012. EUR
Loan from AS Skinest Rail (see Note (34))	250 000	-
	250 000	**-**

In 2013 Company received a loan from AS Skinest Rail of EUR 950 000. Part of the loan in the amount of EUR 700 000 was repaid in the beginning of September, 2013. The loan maturity date is 19.08.2014. The interest rate per annum is 12%.

(25) Payables to group companies

	31.12.2013. EUR	31.12.2012. EUR
Settlements with subsidiaries (see Note (34))	304 469	292 218
	304 469	**292 218**

(26) Taxes and social insurance payments

	31.12.2012.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to/(from) other taxes	31.12.2013.
	EUR	EUR	EUR	EUR	EUR	EUR
VAT*	15 189	(901 843)	-	18 100	822 474	(46 080)
Personal income tax	16 695	200 682	-	(201 520)	-	15 857
Social insurance payments	29 569	372 516	-	(29 624)	(342 490)	29 971
Corporate income tax	46 835	-	159	(132 716)	(1 386)	(87 108)
Real estate tax (land)	-	5 646	10	(5 656)	-	-
Real estate tax (buildings)	-	53 863	118	(53 981)	-	-
Natural resource tax	2 401	9 747	4	(10 333)	-	1 819
Enterprise risk duty	45	583	-	(579)	-	49
Total	**110 734**	**(258 806)**	**291**	**(416 309)**	**478 598**	**(85 492)**
Hereof						
(Overpaid) - see Note 17 for details	**-**					**(133 188)**
Payables	**110 734**					**47 696**

In 2013 the Company has used the 100% exemption from natural resource tax as it is involved in voluntary program of packaging waste management.

* The Company with subsidiaries forms a single VAT group. The Company makes payments to the budget for the whole VAT group. In the financial statements the movement of VAT liabilities reflects the Company's settlements for VAT group. Net transferred tax amount of EUR 478 598 corresponds to the tax liability net movement between the Company and other members of the VAT group.

(27) Other liabilities

	31.12.2013.	31.12.2012.
	EUR	EUR
VAT from the advances	176 830	-
Payroll liabilities	58 238	57 541
Other liabilities	34 549	21 436
	269 617	**78 977**

(28) Deferred income

Non-current		
Received grant for the acquisition of non-current assets	527 971	551 969
	527 971	**551 969**
Current		
Other income	-	2 630
Received grant for the acquisition of non-current assets	23 998	23 998
	23 998	**26 628**

In 2011 the Company entered into an agreement with Latvian Investment and Development Agency (LIAA) for participation in the project "The development of new products and technologies - support to introduction of new products and technologies in production". Financing was used to purchase new technological equipment. In 2012 the Company has received the funding in amount of EUR 599 967.

The Company has an obligation during 5 year period from the receiving of the funds to comply with the terms of grant contract is respect of use of the assets in the Project activity place and for the intended purpose, not alienating and not to transfer the assets for use by third parties, insuring the property and performing of other duties. In the event of non-compliance with the conditions specified in, the Company may be obliged to repay the funds. The management assesses, that the this probability is very insignificant.

(29) Accrued liabilities

	31.12.2013. EUR	31.12.2012. EUR
Accrued liabilities to subsidiaries*	2 751 993	4 283 025
Accrued liabilities to other suppliers	120 243	194 135
Accrued unused annual leave	63 726	81 296
	2 935 962	**4 558 456**

* The Company and its subsidiaries use the single policy of revenue recognition for repair services (see Note (2) to the accounting policies). The Company's accrued liabilities recognized at the end of reporting year of EUR 2 751 993 (31.12.2012 - EUR 4 283 025) is equal to the accrued income for work-in-progress which are recognized in financial statements of all subsidiaries.

(30) Fees paid to auditors

	2013 EUR	2012 EUR
For the audit of financial statements	9 501	9 501
	9 501	**9 501**

(31) Average number of employees

	2013	2012
Average number of people employed during the financial year	126	122

(32) Remuneration to personnel

	2013 EUR	2012 EUR
Employee pay	1 050 176	940 375
Social insurance payments	250 480	224 325
Other expenses	145 602	149 108
	1 446 258	**1 313 808**

(33) Remuneration to the management

Board members		
· salary expenses	138 165	104 399
· other social insurance expenses	33 284	25 149
	171 449	**129 548**

(34) Transactions with related parties

As mentioned in Note (12), the Company holds 100% shares of subsidiary companies SIA Rel, SIA Elap, SIA Remdiz, SIA Ritrem, SIA Elektromaš, SIA Krāsotājs, SIA SPZČ, SIA Metalurgs, SIA Remenergo, SIA Instruments and SIA Loģistika. Claims and liabilities against subsidiary companies are classified as receivables and payables to Group companies accordingly.

The main shareholders of the Company - AS Skinest Rail (Estonia) and AS Spacecom (Estonia) have a significant influence in determination of the Company's policy and decision making. Disclosed below is information on transactions with these companies as well as with other companies, which are related to AS Skinest Rail (Estonia) and AS Spacecom (Estonia).

a) claims and liabilities

	Notes	31.12.2013. Receivables EUR	31.12.2013. Payables EUR	31.12.2012. Receivables EUR	31.12.2012. Payables EUR
Group companies	(16), (25)	3 114 065	304 469	3 997 131	292 218
Other related companies		57 591	1 736 979	528 894	2 047 255
		3 171 656	**2 041 448**	**4 526 025**	**2 339 473**

b) transactions

	Notes	Sales / Return to related parties 2013 EUR	Sales / Return to related parties 2012 EUR	Purchases from related parties 2013 EUR	Purchases from related parties 2012 EUR
Group companies					
Repair services of railway rolling stock	a)	-	-	21 311 319	19 908 353
Sales/purchases of materials		9 343 581	10 598 093	1 586 526	1 808 729
Rent of premises and equipment	1 a)	1 799 014	1 804 405	22 802	22 739
Administrative and management	b)	274 354	274 354	-	-
Other transactions		430 190	554 757	453 767	370 793
Total Group companies:		**11 847 139**	**13 231 609**	**23 374 414**	**22 110 614**
Other related parties					
Repair services of railway rolling stock		9 371 584	8 094 803	-	-
Sales/purchases of materials		178 198	265 975	6 050 257	7 546 317
Other transactions		2 567 574	1 894 000	407 812	119 369
Total other related parties:		**12 117 356**	**10 254 778**	**6 458 069**	**7 665 686**
		23 964 495	**23 486 387**	**29 832 483**	**29 776 300**

a) Starting from 2007 the Company provides repair of the railway rolling stock by purchasing repair services from its subsidiaries. The largest subsidiaries, providing the Company with railway rolling stock repair services, are SIA Rel, SIA Elap, SIA Remdīz, SIA Elektromaš, SIA Ritrem un SIA Krāsotājs. Each of these mentioned companies carry out the separate part of mentioned services according to every subsidiary's activity (see Note (12)). Respectively, SIA Remenergo, SIA SPZČ, SIA Instruments, SIA Metalurgs and SIA Loģistika mainly provide assistance functions in railway rolling stock repair works. These services are provided to other subsidiaries, as well as to the Company. Transaction amount disclosed in this Note does not include accrued liabilities for work-in-progress.

b) The Company provides administrative management services for subsidiaries, which include accounting, economic, control and metrology, technical services and supplement technological process with services of engineers - constructors.

(35) Financial risk management

Financial risks, related to the financial instruments of the Company, mainly, are currency risk, interest rate risk, liquidity risk and credit risk. The management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Foreign currency risks

The Company acts internationally and is exposed to foreign currency exchange rate fluctuation risk arising from the currency fluctuations of US Dollar (USD) and Russian ruble (RUB) to lats and against other currencies fixed to euro. The risk of foreign currency comes from future commercial transactions, recognized assets and liabilities. The majority of raw materials are purchased by the Company in euro, RUB and US dollars, but the significant part of the production is sold in the domestic market and exported to the markets where euro and RUB dominate.

At the end of the year the Company has an open position in euro, but considering held in 2014 Latvian national currency changeover to the euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

The companies foreign exchange open position is:

	31.12.2013.	**31.12.2012.**
Financial assets, USD	650 357	551 349
Financial liabilities, USD	(1 623 458)	(2 569 291)
Open position USD, net	(973 101)	(2 017 942)
Open position USD, calculated in euro, net	**(713 068)**	**(1 524 646)**
Financial assets, RUB	35 835 842	75 349 052
Financial liabilities, RUB	(72 108 110)	(19 154 835)
Open position RUB, net	(36 272 268)	56 194 217
Open position RUB, calculated in euro, net	**(805 128)**	**1 391 255**

Interest rate risks

The Company is exposed to interest rate risk as the most liabilities are interest-bearing with the floating interest rate (see Note (23)), while the main part of the Company's financial assets are interest-free receivables, therefore the Company is exposed to floating interest rate risk. In 2013 the amount of interest-bearing liabilities have increased.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers and customers, related parties receivables, other receivables and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts. See also Note (22) on provisions created for financial support to subsidiaries.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents and also using the bank credit line facilities.

(36) Subsequent events

The company together with AS Rīgas Vagonbūves Rūpnīca un AS VRC Zasulauks, as an association of persons, won in AS Pasažieru vilciens open tender for the modernization of wagons of diesel trains and in 31 January 2014 signed the agreement with AS Pasazieru vilciens. In order to comply this agreement, the Company together with AS Rīgas Vagonbūves Rūpnīca un AS VRC Zasulauks established the general partnership DMU vilcieni, in which the Company owns 50% of voting rights. Completion date of the agreement is end of 2015 and by the estimates of the management, the Company's part of the total work could reach EUR 9.5 million.

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Natālija Petrova
Chairman of the Board

Daugavpils, 29 April 2014

The annual report has been approved by the general meeting of members 29 April 2014.