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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of "Daugavpils Lokomotīvu Remonta Rūpnīca" AS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of "Daugavpils Lokomotīvu Remonta Rūpnīca" AS (the Company) and its subsidiaries (together as the Group) included in the Annual report as set out on pages 6 to 32. The period of financial statements is from 1 January 2009 till 31 December 2009 (the Financial year). These financial statements include the statement of financial position as at 31 December 2009, the statement of total comprehensive income, cash flow statement, the statement of changes in equity for the financial year, and summary of significant accounting policy and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph *Basis for qualified opinion*, 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 risk 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.



Basis for qualified opinion

The statement of financial position as of 31 December 2009 includes overdue trade receivable of LVL 645 thousands, where the Group net position, less payables to third parties, who underwrite the proportional risk of non-collection of trade receivable, is LVL 308 thousands. The Group is currently negotiating the terms of payments of other trade receivable in the amount of LVL 325 thousands. The Company's management assessed these receivables as collectable. In our opinion, these trade receivables are impaired, however the Group has not provided us with the sufficient evidence of the assessed future cash flows from these receivables and we have not been able to estimate the amount of impairment losses.

Qualified opinion

In our opinion, except of the possible effect of matters described in the paragraph "*Basis of qualified opinion*", the above mentioned financial statements give a true and fair view of the financial position of the Group as at the end of the Financial year, and of its financial performance and cash flow for the Financial year in accordance with International Financial Reporting Standards as adopted by the European Union.

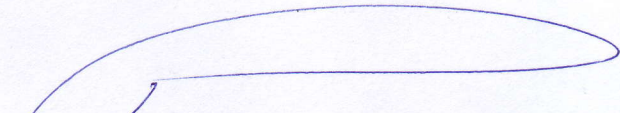
Emphasis of matter paragraph

Without qualifying the opinion, we draw attention to Note 12 to the financial statements indicating that the management of the Company has assessed the recoverable amount of Group property, plant and equipment. Main principles and assumption used in this assessment are disclosed in this note. Considering the current economic crisis and its impact on the Group operations, uncertainty exists whether the assumptions and estimates of the Group future financial performance will come true and that in turn may influence the assessment of recoverable value.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for the Financial year as set on page 4 and did not identify material inconsistencies of the financial information presented in the Management Report and that contained in the financial statements.

Baker Tilly Baltics SIA
Certified auditors' company
License No. 80



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

Riga, 21 April 2010

This report is English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.