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 consolidated financial statements of Daugavpils Lokomotīvju Remonta Rūpnīca AS (the Company) and its subsidiaries (together as the Group) included in the Annual report as set out on pages 9 to 35. The period of financial statements is from 1 January 2008 till 31 December 2008 (the Financial year). These financial statements include the balance sheet as at 31 December 2008, and the income statement, cash flow statement, 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

As disclosed in the Note 13 to the financial statements, the Company has carried out an impairment test to determine the recoverable amount of the Group property plant and equipment. The summary of assumptions and methods of the test are disclosed in the above Note. The impairment test carried out by the Management indicated no need for impairment of these assets. Taking into account the current economic environment and its impact on the operations of the Group, there is a significant uncertainty regarding the adequacy of the assumptions and estimates of its future financial results of the Group. Based on this uncertainty we were not able to obtain the sufficient audit evidence in relation of the impairment test and its potential effect on the financial statements.

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.

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

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

Riga, 28 April 2009

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