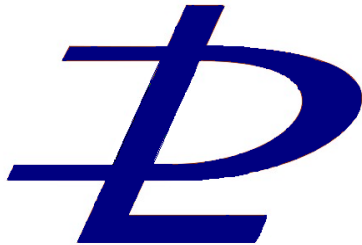


AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I quarter 2006



AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

REPORT

For I quarter 2006

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I quarter 2006

INFORMATION ON THE COMPANY

<i>Name of the company</i>	DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA
<i>Legal status of the company</i>	Joint-stock company
<i>Number, place and date of registration</i>	Nr.40003030219 Riga, 1991.gada 3.oktobrī; Komercreģistrā Riga, 08.06.2004.
<i>Address</i>	Marijas street 1, Daugavpils LV-5401 Latvia
<i>Type of operations</i>	Repair and modernization of the mobile train
<i>Names, address and % of the share capital owned by company's shareholders</i>	AS SKINEST PROJEKT, reģ.10293440 (49,0%) Kadaka tee 1, 10621. Tallina Estonia AS SPACECOM, reģ.10940566 (25,27%) Kadaka tee 1, 10621 Tallina Estonia LLC LOKOMOTIIV IVESTEERINGSUUD, reģ.11096115 (6,09%) Tartu street 18-18, 10115 Tallina Estonia AAS "DORMAŠINVEST" reģ.001455963, OGRN 10277739059919 (5%) Moscow, Russia VAS VSAA, Riga (3,2%) Lacplesha street 70a, LV-1011 Latvia Physical persons (11,44%)
<i>Names and positions of Board members</i>	Šilovs Andrejs – chairman of the board (from 16.08.2004) Bernardeta Golovaņa – member of the board (from 16.08.2004) Jevgenijs Fiļipovs – member of the board (from 06.12.2004)
<i>Names and position of Advice members</i>	Ossinovski Oleg – chairman of the advice (from 06.08.2004) Psiola Siarhei – vice-chairman of the advice (from 16.08.2004) Ait Roman – member of the advice (from 16.08.2004) Barashkov Vasiluy – member of the advice (from 16.08.2004) Krasnoslok Juri– member of the advice(from 16.08.2004)

Report of the management.

I. The key figures of the enterprise.

In I quarter 2006 year joint-stock company „Daugavpils Lokomotīvu Remonta Rūpnīca” has distributed goods for 5254.2 thousand lats, which constitutes an increase of +127.8 % compared to the appropriate period of 2005.

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

Table No.1

The basic classification of the production.

Designation	I q. 2005	I q. 2006	(+, -) thousands.Ls
Diesel locomotive repair, section	1031.8	3577.8	+2546
Electric train repair,carriage	399.0	283.1	-115.9
Diesel-multiple unit train repair,carriage	71.5	0	-71.5
Total sum of rolling-stock unit	1502.3	3860.9	+2358.6
Wheelpair repair,pieces	267.9	502.9	+235.0
Electric machines repair,pieces	117.7	239.7	+122.0
Diesel repair,peaces	95.7	235.0	+139.3
Other	322.7	415.7	+93
Total	2306.3	5254.2	+2947.9

Table No.2

The structure of the distributed goods by the clients.

The client	I q. 2005		I q. 2006	
	sum	%	sum	%
Latvia	830.5	36.0	901.3	17.2
Lithuania	120.2	5.2	374.7	7.1
Estonia	251.2	10.9	679.7	12.9
Belarus	31.2	1.5	212.0	4.0
Uzbekistan	104.4	4.5	243.7	4.6
Russia	968.8	41.9	2842.8	54.2
Total	2306.3	100.0	5254.2	100.0

II. Financial figures.

The enterprise finished I quarter 2005 year with the balance income of 37.9 thousand lats.

The enterprise for the means of the increase of the turnover resources, has invested 120.9 thousand lats of investments, including:

- The purchase of the capital assets - 51.1 thousand lats
- Equipment - 2.8 thousand lats
- The classification of the factory - 37.8 thousand lats
- Furniture and equipment - 29.2 thousand lats

B. Golovaņa

The managing director of the Financial – economic Department

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ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2006. y. 01.04. balance Sheet

0.702804

<u>ASSETS</u>				
	<u>01. 04. 2006. y.</u>		<u>01. 04. 2005.y.</u>	
	LVL	EUR	LVL	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	2 163 485	3 078 362	2 162 213	3 076 552
Machinery and equipment	543 974	774 005	268 281	381 729
Other property, plant and equipment	104 009	147 991	81 785	116 370
Construction in progress	115 648	164 552	128 828	183 306
Total property, plant and equipment	2 927 116	4 164 911	2 641 107	3 757 957
Total investments	0	0		0
Total	0	0	0	0
Total non current assets	2 927 116	4 164 911	2 641 107	3 757 957
CURRENT ASSETS				
Inventory	5 564 456	7 917 508	6 155 063	8 757 866
Debtors:				
Trade accounts receivable	3 127 615	4 450 195	2 286 300	3 253 112
Other accounts receivable	130 516	185 708	227 069	323 090
Short-term loans	8 192	11 656	6 786	9 656
Total debtors:	3 266 323	4 647 559	2 520 155	3 585 858
Cash and cash equivalents	207 589	295 373	33 112	47 114
Total current assets	9 038 368	12 860 439	8 708 330	12 390 837
TOTAL ASSETS	11 965 484	17 025 350	11 349 437	16 148 794

President

A. Šilovs

16.05.2006.

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I quarter 2006

ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

2006. y. 01. 04. balance Sheet

0.7028

LIABILITIES				
	01. 04. 2006.		01. 04. 2005.	
	LVL	EUR	LVL	EUR
SHAREHOLDER' EQUITY				
Share capital	8 294 219	11 801 678	8 294 219	11 801 678
Topheavy reserves	774 100	1 101 451	828 889	1 179 410
Previous year unappropriated result	-5 385 127	-7 662 389	-5 383 732	-7 660 404
Current year unappropriated result	37 886	53 907	266 054	378 563
Total shareholders' equity	3 721 078	5 294 647	4 005 430	5 699 246
ACCUMULATION				
Accumulation	976 322	1 389 189	115 151	163 846
LONG-TERM LIABILITIES				
Long-term loan from credit institution	2 288 969	3 256 928	2 015 741	2 868 157
Total long-term liabilities	2 288 969	3 256 928	2 015 741	2 868 157
CURRENT LIABILITIES				
Creditors' equity	1 686 904	2 400 262	710 783	1 011 359
Advances from customers	629 881	896 245	3 061 862	4 356 662
Trade accounts payable	2 169 322	3 086 685	1 115 167	1 586 749
Covered by taxes	272 573	387 839	153 890	218 967
Other liabilities	220 435	313 653	171 413	243 900
Total current liabilities	4 979 115	7 084 683	5 213 115	7 417 637
Total	7 268 084	10 341 611	7 228 856	10 285 794
TOTAL LIABILITIES	11 965 484	17 025 447	11 349 437	16 148 886

President :

A. Šilovs

16.05.2006.

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I quarter 2006

ISC "Daugavpils Lokomotīvu Remonta Rūpnīca"

Nr LV 40003030219

Address Daugavpils, Marijas iela 1

Profit and account

2006.y. for 3 months

0.702804

	<u>for 3 months 2006.</u>		<u>for 3 months 2005.</u>	
	LS	EUR	LS	EUR
NET SALES	5 493 869	7 817 071	3 030 523	4 312 046
Cost of sales	<u>5 321 090</u>	7 571 229	<u>2 526 404</u>	3 594 749
GROSS PROFIT (LOSS)	172 779	245 842	504 119	717 297
Sales and distribution expenses	23 199	33 009	12 802	18 216
Administrative expense	206 268	293 493	272 100	387 163
Other operating income	115 686	164 606	328 482	467 388
Other expenses	15 342	21 830	263 092	374 346
<u>RESULT FROM OPERATING ACTIVITIES</u>	43 656	62 117	284 607	404 959
<u>RESULT BEFORE TAXES</u>	43 656	62 117	284 607	404 959
Corporate income tax		0	11 051	15 724
Other taxes	5 770	8 210	7 502	10 674
NET RESULT FOR THE YEAR	37 886	53 907	266 054	378 561
	0.005	0.005	0.03	0.03

President

A. Šilovs

16.05.2006.

NOTES

Accounting policies

1. General principles

Annual accounts are prepared in accordance with the laws of the Republic of Latvia "On Accounting" and "On the Annual Accounts of Companies".

The profit and loss account is prepared in accordance with the turnover module.

The statement of cash flows has been prepared using indirect cash flow method.

The accounting policies used by the Company are consistent with those used in the previous accounting period.

2. Net sales

Net sales represent the total of goods and services sold during the year excluding discounts, value added tax and other taxes directly adjusted to sales.

Income is recognized according to the following principles:

income from operating activities - at the moment of emergence;

income from fines and overdue money - at the moment of gain;

dividends - from the moment when arise legal rights to receive them.

3. Foreign currency translation into Lats

The Company maintains its accounts in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia prevailing on the day on which the transactions took place.

Monetary assets and liabilities 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 reporting period. The resulting profit or loss is charged to the profit and loss account.

	31.03.2006.	31.03.2005.
1 USD	0.582	0.543
1 EUR	0.702804	0.702804
1 LTL	0.204	0.204
1 EEK	0.0449	0.0449

4. Fixed assets

Fixed assets are initially recorded at historic cost. In financial statements fixed assets are shown at historic cost or revalued amount of net depreciation. Increase in value arising on revaluation is shown in equity under "Long-term investments revaluation reserve".

Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life period using the following annual rates set by the management:

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

The Company capitalises its fixed assets valued over Ls 50 with utilization period exceeding 1 year. Low value inventory is recorded at historical cost and charged to expenses 100% after putting into operation.

5. Stock

The stock cost has been determined using the first-in first-out method. Stock is recorded at the lowest market price and net realisable value. Required, slow moving, obsolete or damaged stock has been written down.

Within the production cost of stock are included the costs of used materials and other expenses that are directly connected with the production process as well as a respective part of administrative expenses.

6. Accounts receivable

Accounts receivables are recorded in the balance sheet at their net value, being original invoice amount less provisions made to cover anticipated loss on bad and doubtful accounts receivables. Provisions for bad and doubtful accounts receivables are established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for bad and doubtful accounts receivables is recorded as expenses in current financial year.

Debtors are recorded in the balance sheet at their net value less provisions made to cover anticipated loss on bad and doubtful accounts receivables. Specific provisions for doubtful accounts receivables are made when the recoverability of the specific debtor is considered by the Company's management to be uncertain. Bad debts are charged to the loss for the reporting year.

7. Provisions for unused annual leave

Amount of provision for unused annual leave is determined by multiplying the average wage of employees in the last six months of the reporting year per day by the amount of accrued but unused annual leave at the end of the reporting year.

8. 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 Latvian.

9. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current account with banks, short-term deposits with maturity up to 90 days and bank overdrafts. Bank overdrafts on the balance sheet are included within the item short-term "loans from credit institutions".

1. Net sales

	I quarter 2006.	I quarter 2005.
According to operating activities		
Products production	5 254 200	2 306 300
Diesel locomotive sale		625 812
Other	239 669	98 411
Total	5 493 869	3 030 523
According to the location		
Income from export to Latvia	901 300	830 500
Income from export to Russia	206 200	97 600
Income from export to Lithuania	374 700	120 200
Income from export to Estonia	679 700	251 200
Income from export to Belarus	212 000	31 200
Income from export to Uzbekistan	243 700	104 400
Other	2 636 600	871 200
Total	5254 200	2 306 300

2. Production costs

Goods delivery expenses	123 108	55 850
Row and material expenses	3 318 840	1 086 807
Purchase of diesel locomotives		633 686
Utility expenses	287 591	82 627
Salary expenses	992 680	382 743
Social insurance	237 509	90 929
Depreciation of fixed assets	32 900	24 911
Other production costs	328 462	168 851
Total	5 321 090	2 526 404

3. Selling expenses

Transportation costs	23 199	30 062
Other selling expenses	0	0
Total	23 199	30 062

4. Administrative expenses

Salary expenses	77 395	74 933
Social insurance	18 739	17 896
Other social security expenses		
Rent expenses		
Office expenses	26 833	88 246
Advertising	189	342
Representation costs	888	1 577
Depreciation of fixed assets	15 073	20 116
Professional fees	117	
Other administrative costs	67 034	68 990
Total	206 268	272 100

5. Other operating income

Income from fixed assets sale	8 155	130 096
Incomes of converting	46 041	
Write of a reserve of the basic means	12 813	174 109
Incomes of the basic means	3 137	3 319
Other income	45 540	20 958
Total	115 686	328 482

5. Other operating expenses

Residual cost of the written off basic means	2 043	75 840
Losses of course exchange		143 339
Expenses of collective agreement	7 932	19 715
Net loss from sale of fixed assets	3 775	
Pretax applied to expenses		
Creation of accumulation on debtors		
Other expenses	1 592	24 198
Total	15 342	263 092

7. Corporate income tax

Corporate income tax charge for the current year		11 051
Total		11 051

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According to the tax declarations as at 31 December 2005 the Company had tax losses of Ls 248485, which it can carry forward and utilise in future years. In accordance with the law "On Corporate Income Tax" tax losses carried forward can be covered in chronological order from taxable income during the following five years.

	Tax losses	Expiry term
Tax losses of 2002		2007
Tax losses of 2003		2008
Tax losses of 2004	248 485	2009
Tax losses of 2005		2010
Tax losses of 2006		2011
Total	248 485	

8. Other taxes

Real estate tax for land	429	2 163
Real estate tax for buildings	5 341	5 339
Kopā	5 770	7 502

9. Fixed assets

	Land and buildings	Equipment and machinery	Other fixed assets and inventory	Fixed assets under construction	Total
Cost / Valuation 31.12.2005.	3 660 441	4 787 053	539 504	85 481	9 072 479
Additions		39 238	30 155	99 560	168 953
Disposals		2 523	27 934	69 393	99 850
Reclassification					
Revaluation					
30.03.2006.	3 660 441	4 823 768	541 725	115 648	9 141 582
Depreciation 31.12.2005.	1 483 845	4 254 277	460 351		6 198 473
Charge	13 111	27 610	5 299		46 020
Disposals		2 093	27 934		30 027
Reclassification					
Corrections for previous year's error					
30.03.2006.	1 496 956	4 279 794	437 716	0	6 214 466

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Net book value					
31.12.2004.	2 176 596	532 776	79 153	85 481	2 874 006
31.12.2005.					
Net book value					
30.03.2006.	2 163 485	543 974	104 009	115 648	2 927 116

10. Incomplete products

Incomplete products	2 348 744	3 696 661
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11. Finished good and goods for sale

Finished products on stock	485 771	201 958
Canteen	724	1 535
Total	486 495	203 493

12. Trade receivables

Registered price of trade debtors	3 127 615	2 286 300
Total	3 127 615	2 286 300

13. Other receivables

Debts of the linked enterprises	12 005	
VAT overpaid	51 332	85 690
Corporate income tax overpaid		34 541
VAT accepted	35 784	39 625
Housing and Communal Service	6 094	12 740
Payments to personnel	7 649	8 983
Other debtors	17 652	45 490
Total	130 516	227 069

14. Deferred expenses

Payment for insurance	2 599	2 968
Other expenses	5 593	3 818
Total	8 192	6 786

15. Cash and bank

Cash in hand	532	1 170
Cash at bank	207 057	206 419
Total	207 589	207 589

16. Share capital

As at 31 March 2006 the subscribed and fully paid share capital consists of 8294219 ordinary shares with a nominal value of Ls 1 each.

17. Provisions

		Accumulations on vacation, hopeless debtors, taxes, obligations of guarantees
01.01.2005.		146 705
Increase		991 114
Decrease		123 991
31.12.2005.		1 013 828
Increase		
Decrease		37 506
31.03.2006.		976 322

18. Loans from credit institutions

Long-term part	2 288 969	2 015 741
Short-term part	1 686 904	710 783

19. Advances received from consumers.

Latvia	88 650	1 779
Russia	35 356	710 850
Estonia	188 913	446 283
Other	316 962	1 902 950
Total	629 881	3 061 862

20. Trade payables

Long-term part	0	0
Short-term part	2 169 322	1 115 167

21. Taxes and social insurance

	01.01. 2006.	Calculated	Calculated penalty fees	(Paid)/ repaid	Transferred to/ from other taxes	31.03.2006.
VAT	(57 545)	221 629	434	481 171	265 321	(51 332)
Other penalty	(129)			10		(139)
Payroll tax	63 743	183 534		181 000		66 277
Social insurance	111 453	338 048		64 000	(265 321)	120 180
Corporate income tax	84 181					84 181
Real estate tax (land)		429		429		0
Real estate tax (buildings)	22	5 341		5 363		0
Natural resource tax	5 333	1 483		5 333		1 483
The state tax for company's bussines	633	1 346		1 527		452
Total	207 691	751 810	434	738 833	0	221 102

Hereof:

Liabilities/ 265 917

272 573

(Overpaid) 58 226

51 471

22. Average number of employees

Average number of employees

1 739

2 006

Jevģenijs Filipovs

Direktor