



AS “DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA”

REPORT

For I half-year 2006

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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, 03.10.1991. The commercial registr 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 RAIL, 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%) 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 positions of Board members</i>	
<i>Names and position of Advice members</i>	Ossinovski Oleg – chairman of the advice (from 06.08.2004) Grjadunova Jelena – vice-chairman of the advice (from 01.06.2006) 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 half-year 2006 joint-stock company „Daugavpils Lokomotīvu Remonta Rūpnīca” has distributed goods for **9 352.9** thousand LVL, which constitutes an increase of +127.6 % 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 half-year 2005	I half-year 2006	(+, -) thousands.LVL
Diesel locomotive repair, section	5 064.2	5 995.6	+931.4
Electric train repair, carriage	529.8	480.5	-49.3
Diesel-multiple unit train repair, carriage	71.5	0	-71.5
Refrigerators, repair	0	28.4	+28.4
Total sum of rolling-stock unit	5 665.5	6 504.5	+839.0
Wheelpair repair, pieces	562.0	1 065.1	+503.1
Electric machines repair, pieces	333.0	644.3	+311.3
Diesel repair, pieces	165.6	318.3	+152.7
Other	603.8	820.7	+216.9
Total	7329.9	9 352.9	+2023.0

Table No.2

The structure of the distributed goods by the clients.

The client	I half-year 2005		I half-year 2006	
	sum	%	sum	%
Latvia	1 312.4	17.9	2 076.0	22.2
Lithuania	272.6	3.7	494.2	5.3
Estonia	1 454.2	19.8	983.2	10.5
Belarus	62.1	0.8	366.9	3.9
Uzbekistan	176.8	2.4	241.7	2.6
Russia	4 051.8	55.4	5 190.9	55.5
Total	7 329.9	100.0	9 352.9	100.0

II. Financial figures.

The enterprise finished I half-year 2006 with the balance income of 395.9 thousand LVL.

The enterprise for the means of the increase of the turnover resources, has invested 287.4 thousand LVL of investments, including:

- The purchase of the capital assets - 117.6 thousand LVL
- Equipment - 32.9 thousand LVL
- The classification of the factory - 83.7 thousand LVL
- Furniture and equipment - 53.2 thousand LVL

B. Golovaņa

The managing director of the Financial – economic Department

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I half-year 2006

2006. g. 01.07. balance Sheet

0.702804

ASSETS				
	01. 07. 2006. g.		01. 07. 2005.g.	
	LTV	EUR	LTV	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	2 152 873	3 063 262	2 170 009	3 087 645
Machinery and equipment	554 197	788 551	333 784	474 932
Other property, plant and equipment	123 638	175 921	101 497	144 417
Construction in progress	143 211	203 771	27 180	38 674
Total property, plant and equipment	2 973 919	4 231 506	2 632 470	3 745 667
Total investments	0	0		0
Total	0	0	0	0
Total non current assets	2 973 919	4 231 506	2 632 470	3 745 667
CURRENT ASSETS				
Inventory	5 382 307	7 658 333	5 611 840	7 984 929
Debtors:				
Trade accounts receivable	3 093 785	4 402 059	2 448 884	3 484 448
	12 005	17 082		
Other accounts receivable	155 807	221 693	262 566	373 598
Short-term loans	10 632	15 128	2 860	4 069
Total debtors:	3 272 229	4 655 962	2 714 310	3 862 115
Cash and cash equivalents	55 354	78 762	127 684	181 678
Total current assets	8 709 890	12 393 057	8 453 834	12 028 722
TOTAL ASSETS	11 683 809	16 624 562	11 086 304	15 774 389

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I half-year 2006

2006. g. 01. 07. balance Sheet

0.702804

LIABILITIES				
	01. 07. 2006. g.		01. 07. 2005. g.	
	LTV	EUR	LTV	EUR
SHAREHOLDER' EQUITY				
Share capital	8 294 219	11 801 610	8 294 219	11 801 610
Topheavy reserves	764 920	1 088 383	825 080	1 173 983
Previous year unappropriated result	-5 385 127	-7 662 345	-5 383 732	-7 660 360
Current year unappropriated result	395 876	563 281	581 486	827 380
Total shareholders' equity	4 069 888	5 790 929	4 317 053	6 142 613
ACCUMULATION				
Accumulation	910 722	1 295 841	85 771	122 041
LONG-TERM LIABILITIES				
Long-term loan from credit institution	2 251 710	3 203 895	2 147 453	3 055 550
Total long-term liabilities	2 251 710	3 203 895	2 147 453	3 055 550
CURRENT LIABILITIES				
Creditors' equity	1 788 584	2 544 926	323 572	460 401
Advances from customers	601 073	855 250	2 107 932	2 999 317
Trade accounts payable	1 666 662	2 371 446	1 753 022	2 494 326
Coveredby taxes	186 348	265 149	162 137	230 700
Other liabilities	208 822	297 127	189 364	269 441
Total current liabilities	4 451 489	6 333 898	4 536 027	6 454 185
Total	6 703 199	9 537 793	6 683 480	9 509 735
<u>TOTAL LIABILITIES</u>	<u>11 683 809</u>	<u>16 624 562</u>	<u>11 086 304</u>	<u>15 774 389</u>

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I half-year 2006

for 6 months 2006.y.

0,702804

	for 6 months 2006. y.		for 6 months 2005. y.	
	LS	EUR	LS	EUR
NET SALES	10 370 824	14 756 353	10 142 685	14 431 741
Cost of sales	<u>9 681 628</u>	13 775 716	<u>8 766 233</u>	12 473 226
GROSS PROFIT (LOSS)	689 196	980 638	1 376 452	1 958 515
Sales and distribution expenses	39 177	55 744	30 062	42 774
Administrative expense	424 427	603 905	481 629	685 296
Other operating income	224 161	318 952	346 429	492 924
Other expenses	20 013	28 476	597 258	849 822
RESULT FROM OPERATING ACTIVITIES	429 740	611 465	613 932	873 547
RESULT BEFORE TAXES	429 740	611 465	613 932	873 547
Corporate income tax	15 127	21 524	14 778	21 027
Other taxes	18 737	26 660	17 668	25 139
NET RESULT FOR THE YEAR	395 876	563 281	581 486	827 380
	0,05	0,07	0,07	0,10

OVERVIEW OF EQUITY CAPITAL SHANGES
for 6 months 2006.y.

Kurs 0,702804

	on 01.07.06.	on 01.07.2006.	on 01.07.2005	on 01.07.2005.
	LTV	EUR	LVL	EUR
Share capital				
Post-balance residue on 01. 01. 2006.	8 294 219	11 801 610	8 294 219	11 801 610
Increase	0	0	0	0
Decrease	0	0	0	0
Post-balance residue on 01. 07. 2006.	8 294 219	11 801 610	8 294 219	11 801 610
		0		
Reserve of reassessment of the basic means				
Post-balance residue on 01. 01. 2006.	786 913	1 119 676	1 159 093	1 649 241
Increase	0	0	0	0
Decrease	21 993	31 293	244 677	348 144
Post-balance residue on 01. 07. 2006.	764 920	1 088 383	914 416	1 301 097
		0		
Retained profit				
Post-balance residue on 01. 01.2006.	-5 385 127	-7 662 345	-4 266 692	-6 070 956
Post-balance residue on 01. 07.2006.	-4 989 251	-7 099 065	-5 168 670	-7 354 355
Share capital (total)				
Post-balance residue on 01. 01.2006.	3 696 005	5 258 941	5 186 620	7 379 895
Post-balance residue on 01. 07.2006.	4 069 888	5 790 929	4 039 965	5 748 352

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 LVL

The Company maintains its accounts in Latvian LVL. All transactions denominated in foreign currencies are converted into LVL 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 LVL 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.

	31.06.2006.	31.06.2005.
1 USD	0.560	0.583
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 half-year 2006	I half-year 2005
According to operating activities		
Products production	9 352 929	7 329 934
Diesel locomotive sale	-	2 572 125
Spare parts sale	560 905	-
Other	456 990	240 626
Total	10 370 824	10 142 685
According to the location		
Income from export to Latvia	2 076 000	1 312 413
Income from export to Russia	267 800	517 200
Income from export to Lithuania	494 200	272 673
Income from export to Estonia	983 200	1 454 167
Income from export to Belarus	366 900	62 111
Income from export to Uzbekistan	241 700	176 789
Other	4 923 129	3 534 581
Total	9 352 929	7 329 934

2. Production costs

Goods delivery expenses	220 266	221 959
Row and material expenses	5 292 760	4 815 679
Purchase of diesel locomotives		
Sale of spare parts	542 395	
Utility expenses	395 167	282 218
Salary expenses	2 083 344	1 646 707
Social insurance	432 347	391 873
Depreciation of fixed assets	113 635	144 942
Other production costs	601 714	1 262 855
Total	9 681 628	8 766 233

3. Selling expenses

	<u>I half-year 2006</u>	<u>I half-year 2005</u>
Transportation costs	39 177	30 062
Other selling expenses	-	-
Total	39 177	30 062

4. Administrative expenses

Salary expenses	157 396	149 135
Social insurance	37 597	35 519
Other social security expenses	-	-
Rent expenses	-	-
Office expenses	43 342	88 381
Advertising	806	2 100
Representation costs	1 460	-
Depreciation of fixed assets	31 867	35 906
Professional fees	5 804	-
Other administrative costs	146 155	170 588
Total	424 427	481 629

5. Other operating income

Income from fixed assets sale	8 798	134 068
Incomes of converting	135 365	0
Write of a reserve of the basic means	22 010	177 918
Incomes of the basic means	5 475	6 387
Other income	52 513	28 056
Total	224 161	346 429

6. Other operating expenses

Residual cost of the written off basic means	2 587	75 408
Losses of course exchange		458 181
Expenses of collective agreement	14 216	35 463
Net loss from sale of fixed assets	1 186	24 617
Pretax applied to expenses		
Creation of accumulation on debtors		
Other expenses	2 024	3 589
Total	20 013	597 258

7. Corporate income tax

	<u>I half-year 2006</u>	<u>I half-year 2005</u>
Corporate income tax charge for the current year	15 127	14 778
Total	15 127	14 778

8. Other taxes

Real estate tax for land	5 384	4 323
Real estate tax for buildings	13 353	13 345
Kopā	18 737	17 668

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	2 500	79 291	56 938	196 460	335 189
Disposals		8 953	55 367	138 730	203 050
Reclassification					
Revaluation					
30.06.2006.	3 662 941	4 857 391	541 075	143 211	9 204 618
Depreciation					
31.12.2005.					
Charge	1 483 845	4 254 277	460 351		6 198 473
Disposals	26 223	56 897	12 453		95 573
Reclassification		7 980	55 367		63 347
Corrections for previous year's error					
30.06.2006.	1 510 068	4 303 194	417 437		6 230 699
Net book value					
31.12.2005.	2 176 596	532 776	79 153	85 481	2 874 006
Net book value					
30.06.2006.	2 152 873	554 197	123 638	143 211	2 973 919

10. Incomplete products

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Incomplete products	2 339 894	2 485 803
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11. Finished good and goods for sale

Finished products on stock	548 991	1 192 797
Canteen	589	1 473
Total	549 580	1 194 270

12. Trade receivables

Registered price of trade debtors	3 093 785	2 448 933
Total	3 093 785	2 448 933

13. Other receivables

Debts of the linked enterprises		
VAT overpaid	50 424	110 662
Corporate income tax overpaid		
	79 315	98 782
Housing and Communal Service	4 822	11 978
Payments to personnel	8 514	19 118
Other debtors	12 732	21932
Total	155 807	262 472

14. Deferred expenses

	<u>I half-year 2006</u>	<u>I half-year 2005</u>
Payment for insurance	1 504	1 192
Other expenses	9 128	1 668
Total	10 632	2 860

15. Cash and bank

Cash in hand	1 564	1358
Cash at bank	53 790	126 331
Total	55 354	127 689

16. Share capital

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for I half-year 2006

As at 31 June 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		103 106
30.06. 2006.		910 722

18. Loans from credit institutions

Long-term part	2 251 710	2 147 453
Short-term part	1 788 584	323 572

19. Advances received from consumers.

Latvia	170 103	
Russia	87 130	1 988 266
Estonia	168 000	80 984
Other	175 840	38 454
Total	601 073	2 107 704

20. Trade payables

	<u>I half-year 2006</u>	<u>I half-year 2005</u>
Long-term part	0	0
Short-term part	1 666 662	1 753 022

21. Taxes and social insurance

	01.01. 2006.	Calculated	Calculated penalty fees	(Paid)/repaid	Transferred to/ from other taxes	31.06.2006.

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VAT	(58 226)	492 446		860 871	376 227	(50 424)
Other penalty	551	1 048		1 599		
Payroll tax	63 743	364 986		364 000		64 729
Social insurance	111 453	669 828		291 000	(376 227)	114 054
Corporate income tax	84 182	15 127		99 309		
Real estate tax (land)		5 384		5 384		
Real estate tax (buildings)	22	13 353		13 375		
Natural resource tax	5 333	8 614		6 816		7 131
The state tax for company's bussines	633	2 663		2 862		434
Total	207 691	1 573 449		1 645 216		135 924

Hereof:

Liabilities/ 265 917

186 348

(Overpaid) 58 226

50 424

22. Average number of employees

Average number of employees

1 719

1 933

Jevģenijs Filipovs

Director

AS " Daugavpils Lokomotīvu Remonta Rūpniecība"

Nodokļu maksātāja reģ. Nr. 40003030219

Adrese **Daugavpils, Marijas iela 1**

kurs 0,702804

Cash flow statement for the I half - year 2006**1. Cash flow from operating activities**

		01.07.2006 LVL		01.07.2006 EUR		01.07.2006 LVL		01.07.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Profit before taxation	429 740		611 465	0	613 932		873 547	0
	Adjustments: a) depreciation	95 573		135 988	0	157 956		224 751	0
	Provision		103 106	0	146 707		60 934	0	86 701
	c) profit or loss from the currency exchange fluctuacions		88 416	0	125 805	353 413		502 861	0
2	Profit from operating activities before changes in working capital			0	0			0	0
	Adjustments: a) Trade receivables (increase)/decrease)		164 375	0	233 885	1 022 257		0	1 454 541
	b) Stock (increase)/decrease	385 184		548 067	0	1 779 040		0	2 531 346
	c) Trade payables increase/(decrease)		7 602 807		10 817 820	1 541 736		2 193 693	0
	Net book value of fixed assets disposed of	950		1 352	0	66 506		94 630	0
	Acgquisition of fixed assets			0	0			0	0
3	Gross cash flow operating activities	911 447	7 958 704	1 296 872	11 324 216	2 733 543	2 862 231	3 889 481	4 072 588
4	Corporate income and property tax paid		33 864	0	48 184		32 446	0	46 166
5	Cash flow before extraordinary items	911 447	7 992 568	1 296 872	11 372 400	2 733 543	2 894 677	3 889 481	4 118 754
	Net cash from operating activities		7 081 121	0	10 075 527		161 134	0	229 273

II. Cash flows from investing activities

		uz 01.07.2006 LVL		uz 01.07.2006 EUR		uz 01.07.2006 LVL		uz 01.07.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Acgquisition of fixed assets and intangible assets		196 459	0	279 536		223 125	0	317 478
2	Income from sale of fixed assets and intangible assets	8 798		12 518	0	9 402		13 378	0
3	Decrease in provision		21 993	0	31 293		178 163	0	253 503
	Net cash from investing ativities		209 654	0	298 311		391 886	0	557 604

III. Cash flows from financing activities

		uz 01.07.2006 LVL		uz 01.07.2006 EUR		uz 01.07.2006 LVL		uz 01.07.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Loans from credit institucion	1 802 795		2 565 146	0			0	0
2	Repayments of loans		146 794		208 869		79 281		112 807
	Net cash flows from financing activities	1 656 001		2 356 277	0		79 281	0	112 807

Net cash from income and expences

		uz 01.07.2006 LVL		uz 01.07.2006 EUR		uz 01.07.2006 LVL		uz 01.07.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
I	Cash flow from operating activities		7 081 121	0	10 075 527		161 134	0	229 273
II	Cash flows from investing activities		209 654	0	298 311		391 886	0	557 604
III	Cash flows from financing activities	1 656 001		2 356 277	0		79 281	0	112 807
IV	Profit or loss from the currency exchange fluctuacions		87 530	0	124 544		21 803	0	31 023
V	Net cash flow of the current period		5 722 304	0	8 142 105		654 104	0	930 706

VI	Cash and cash equivalents at the beginning of the reporting period	5 777 658		8 220 867	0	781 788		1 112 384	0
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VII	Cash and cash equivalents at the end of the reporting period	55 254		72 722	0	127 224		121 272	0
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