



AS “DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA”

REPORT

For 9 month 2006

TABLE OF CONTENTS:

1. Information on the company	3
2. Report of the management	4 - 5
3. Balance	6 - 7
4. Profit and account	8
5. Overview of equity capital shanges	9
6. Notes	11-18
7. Cash flow statement	19

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 IVESTEERINGUUD, 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>	Keskula Aivar – chairman of the board (from 25.10.2006) Šilovs Andrejs – member of the board (from 25.10.2006) Kārkliņa Jeļena – member of the board (from 25.10.2006)
<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)
<i>Name of the auditor, personal kode and the address</i>	The report is not inspected

Report of the management.

I. The key figures of the enterprise.

In 9 month 2006 joint-stock company „Daugavpils Lokomotīvu Remonta Rūpnīca” has distributed goods for **11827.5** thousand LVL, which constitutes an increase of 95.7 % 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	9 month 2005	9 month 2006	(+, -) thousands.LVL
Diesel locomotive repair, section	9311.8	7740.7	-1571.1
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	9913.1	8249.6	-1663.5
Wheelpair repair, pieces	1022.2	1402.3	+380.1
Electric machines repair, pieces	592.1	828.0	+235.9
Diesel repair, pieces	148	318.4	+170.4
Other	678.5	1029.2	+350.7
Total	12353.9	11827.5	-526.4

Table No.2

The structure of the distributed goods by the clients.

The client	9 month 2005		9 month 2006	
	sum	%	sum	%
Latvia	1664.4	13.5	2529.5	21.4
Lithuania	774.1	6.3	561.0	4.7
Estonia	3397.6	27.5	1054.7	8.9
Belarus	106.8	0.9	446.3	3.8
Uzbekistan	539.9	4.4	241.7	2.1
Russia	5871.1	47.4	6744.5	57.0
Other	-	-	249.8	2.1
Total	12353.9	100.0	11827.5	100.0

II. Financial figures.

The enterprise finished 9 month 2006 with the balance income of 113.4 thousand LVL.

The enterprise for the means of the increase of the turnover resources, has invested 731.0 thousand LVL of investments, including:

- The purchase of the capital assets - 462.0 thousand LVL
- Equipment - 71.4 thousand LVL
- The classification of the factory - 123.1 thousand LVL
- Furniture and equipment - 74.5 thousand LVL

J.Kārklīņa

Member of the board

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 2006

2006. g. 01.10. balance Sheet

0,702804

ASSETS				
	01. 10. 2006. g.		01. 10. 2005.g.	
	LTV	EUR	LTV	EUR
NON CURRENT ASSETS				
Property, plant and equipment:				
Land, buildings and networks	2 027 598	2 885 012	2 152 778	3 063 127
Machinery and equipment	540 430	768 963	301 772	429 383
Other property, plant and equipment	136 952	194 865	94 908	135 042
Construction in progress	482 064	685 915	237 202	337 508
Total property, plant and equipment	3 187 044	4 534 755	2 786 660	3 965 060
Total investments	0	0		0
Total	0	0	0	0
Total non current assets	3 187 044	4 534 755	2 786 660	3 965 060
CURRENT ASSETS				
Inventory	5 839 405	8 308 725	6 810 552	9 690 542
Debtors:				
Trade accounts receivable	2 937 311	4 179 417	1 955 783	2 782 828
Other accounts receivable	152 679	217 243	266 503	379 200
Short-term loans	10 680	15 196	1 808	2 573
Total debtors:	3 100 670	4 411 856	2 224 094	3 164 601
Cash and cash equivalents	74 064	105 384	256 908	365 547
Total current assets	9 014 139	12 825 964	9 291 554	13 220 690
<u>TOTAL ASSETS</u>	<u>12 201 183</u>	<u>17 360 719</u>	<u>12 078 214</u>	<u>17 185 750</u>

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 2006

2006. g. 01.10. balance Sheet

0,702804

<u>LIABILITIES</u>				
	01. 10. 2006. g.		01. 10. 2005. g.	
	<u>LTV</u>	<u>EUR</u>	<u>LTV</u>	<u>EUR</u>
SHAREHOLDER' EQUITY				
Share capital	8 294 219	11 801 610	8 294 219	11 801 610
Topheavy reserves	737 289	1 049 068	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	113 354	161 288	571 398	813 026
Total shareholders' equity	<u>3 759 735</u>	<u>5 349 621</u>	<u>4 306 965</u>	<u>6 128 259</u>
ACCUMULATION				
Accumulation	876 693	1 247 422	54 867	78 069
LONG-TERM LIABILITIES				
Long-term loan from credit institution	2 217 506	3 155 227	2 466 693	3 509 788
Total long-term liabilities	<u>2 217 506</u>	<u>3 155 227</u>	<u>2 466 693</u>	<u>3 509 788</u>
CURRENT LIABILITIES				
Creditors' equity	1 669 612	2 375 644	649 556	924 235
Advances from customers	1 094 356	1 557 128	2 058 331	2 928 741
Trade accounts payable	2 140 884	3 046 203	2 173 221	3 092 215
Covered by taxes	237 042	337 280	170 481	242 573
Other liabilities	205 355	292 194	198 100	281 871
Total current liabilities	<u>5 347 249</u>	<u>7 608 450</u>	<u>5 249 689</u>	<u>7 469 634</u>
Total	<u>7 564 755</u>	<u>10 763 677</u>	<u>7 716 382</u>	<u>10 979 422</u>
<u>TOTAL LIABILITIES</u>	<u>12 201 183</u>	<u>17 360 719</u>	<u>12 078 214</u>	<u>17 185 750</u>

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 2006

for 9 months 2006.y.

0,702804

	for 9 months 2006. y.		for 9 months 2005. y.	
	LS	EUR	LS	EUR
NET SALES	13 491 258	19 196 331	17 390 079	24 743 853
Cost of sales	12 979 768	18 468 546	15 754 218	22 416 233
GROSS PROFIT (LOSS)	511 490	727 785	1 635 861	2 327 621
Sales and distribution expenses	52 654	74 920	54 110	76 992
Administrative expense	667 728	950 091	690 586	982 615
Other operating income	602 259	856 937	402 083	572 113
Other expenses	190 702	271 345	679 237	966 467
RESULT FROM OPERATING ACTIVITIES	202 665	288 366	614 011	873 659
RESULT BEFORE TAXES	202 665	288 366	614 011	873 659
Corporate income tax	60 378	85 910	14 778	21 027
Other taxes	28 933	41 168	27 834	39 604
NET RESULT FOR THE YEAR	113 354	161 288	571 399	813 028
	0,01	0,02	0,07	0,10

**OVERVIEW OF EQUITY CAPITAL SHANGES
for 9 months 2006**

	Kurs 0,702804			
	on 01.10.06.	on 01.10.2006.	on 01.10.2005	on 01.10.2005.
	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. 10. 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	914 416	1 301 097
Increase	0	0	0	0
Decrease	49 624	70 609	89 336	127 114
Post-balance residue on 01. 10. 2006.	737 289	1 049 068	825 080	1 173 983
		0		
Retained profit				
Post-balance residue on 01. 01.2006.	-5 385 127	-7 662 345	-5 168 670	-7 354 355
Post-balance residue on 01. 10.2006.	-5 271 773	-7 501 057	-4 812 334	-6 847 334
Share capital (total)				
Post-balance residue on 01. 01.2006.	3 696 005	5 258 941	4 039 965	5 748 352
Post-balance residue on 01. 10.2006.	3 759 735	5 349 621	4 306 965	6 128 259

AS "Daugavpils Lokomotīvu Remonta Rūpnīca"Nodokļu maksātāja reģ. Nr. **40003030219**Adrese **Daugavpils, Marijas iela 1**

kurs

0,702804

Cash flow statement for 9 month 2006**1. Cash flow from operating activities**

		01.10.2006 LVL		01.10.2006 EUR		01.10.2006 LVL		01.10.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Profit before taxation	202 665		288 366	0	614 010		873 658	0
	Adjustments: a) depreciation	146 219		208 051	0	241 774		344 013	0
	Provision		137 135	0	195 126		91 838	0	130 674
	c) profit or loss from the currency exchange fluctuacions		121 046	0	172 233	414 151		589 284	0
2	Profit from operating activities before changes in working capital			0	0			0	0
	Adjustments: a) Trade receivables (increase)/decrease)	7 183		10 220	0		251 245	0	357 489
	b) Stock (increase)/decrease		71 914	0	102 324		2 977 731	0	4 236 929
	c) Trade payables increase/(decrease)		6 579 299		9 361 499	1 517 120		2 158 667	0
	Net book value of fixed assets disposed of		996	0	1 417	59 534		84 709	0
	Acgquisition of fixed assets			0	0			0	0
3	Gross cash flow operating activities	356 067	6 910 390	506 638	9 832 599	2 846 589	3 320 814	4 050 331	4 725 093
4	Corporate income and property tax paid		89 311	0	127 078		42 612	0	60 631
5	Cash flow before extraordinary items	356 067	6 999 701	506 638	9 959 677	2 846 589	3 363 426	4 050 331	4 785 724
	Net cash from operating activities		6 643 634	0	9 453 040		516 837	0	735 393

II. Cash flows from investing activities

		uz 01.10.2006 LVL		uz 01.10.2006 EUR		uz 01.10.2006 LVL		uz 01.10.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Acgquisition of fixed assets and intangible assets		601 551	0	855 930		461 131	0	656 130
2	Income from sale of fixed assets and intangible assets	143 290		203 883	0	16 374		23 298	0
3	Decrease in provision		49 624	0	70 609		178 163	0	253 503
	Net cash from investing ativities		507 885	0	722 655		622 920	0	886 335

III. Cash flows from financing activities

		uz 01.10.2006 LVL		uz 01.10.2006 EUR		uz 01.10.2006 LVL		uz 01.10.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Loans from credit institucion	1 770 222		2 518 799	0	812 620		1 156 254	0
2	Repayments of loans		218 595		311 033		131 553		187 183
	Net cash flows from financing activities	1 551 627		2 207 766	0	681 067		969 071	0

Net cash from income and expences

		uz 01.10.2006 LVL		uz 01.10.2006 EUR		uz 01.10.2006 LVL		uz 01.10.2006 EUR	
		income	expences	income	expences	income	expences	income	expences
1	Cash flow from operating activities		6 643 634	0	9 453 040		516 837	0	735 393
II	Cash flows from investing activities		507 885	0	722 655		622 920	0	886 335
III	Cash flows from financing activities	1 551 627		2 207 766	0	681 067		969 071	0
IV	Profit or loss from the currency exchange fluctuacions		103 702	0	147 555		66 190	0	94 180
V	Net cash flow of the current period		5 703 594	0	8 115 483		524 880	0	746 837
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
VII	Cash and cash equivalents at the end of the reporting period	74 064		105 384	0	256 908		365 547	0

President

J.Kārklīņa

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.

	30.09.2006.	30.09.2005.
1 USD	0.552	0.583
1 EUR	0.702804	0.702804
1 LTL	0.203	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

	9months 2006	9months 2005
According to operating activities		
Products production	11827500	12353900
Diesel locomotive sale	-	4544850
Spare parts sale	1115947	-
Other	547811	491329
Total	13491258	17390079
According to the location		
Income from export to Latvia	2529500	1664400
Income from export to Russia	6744500	5871100
Income from export to Lithuania	561000	774100
Income from export to Estonia	1054700	3397600
Income from export to Belarus	446300	106800
Income from export to Uzbekistan	241 700	539900
Other	249800	-
Total	11827500	12353900

2. Production costs

Goods delivery expenses	309435	322485
Row and material expenses	6593697	7761590
Utility expenses	502201	395875
Salary expenses	2765998	2435846
Social insurance	654590	575672
Depreciation of fixed assets	146219	201615
Other production costs	2007628	4061135
Total	12979768	15754218

3. Selling expenses

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 2006

	<u>9 month2006</u>	<u>9 month 2005</u>
Transportation costs	52654	54110
Other selling expenses	-	-
Total	52654	54110

4. Administrative expenses

Salary expenses	243855	219015
Social insurance	59049	52469
Other social security expenses	-	-
Rent expenses	-	-
Office expenses	70905	162209
Advertising	881	2935
Representation costs	2784	3701
Depreciation of fixed assets	46274	55570
Professional fees	-	-
Other administrative costs	243980	194687
Total	667728	690586

5. Other operating income

Income from fixed assets sale	311118	134842
Incomes of converting	169307	-
Write of a reserve of the basic means	49683	199699
Incomes of the basic means	7497	8889
Other income	64654	58653
Total	602259	402083

6. Other operating expenses

Residual cost of the written off basic means	143907	75 908
Losses of course exchange	-	517846
Expenses of collective agreement	29175	42738
Net loss from sale of fixed assets	1541	15754
Pretax applied to expenses	12005	-
Creation of accumulation on debtors		
Other expenses	4074	26991
Total	190702	679237

7. Corporate income tax

	<u>9 month 2006</u>	<u>9 month 2005</u>
Corporate income tax charge for the current year	60378	14778
Total	60378	14 778

8. Other taxes

Real estate tax for land	7568	6483
Real estate tax for buildings	21365	21351
Kopā	28933	27834

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	31308	95733	77927	601552	806520
Disposals	186198	37842	105699	204969	534708
Reclassification					
Revaluation					
30.09.2006.	3505551	4844944	511732	482064	9344291
Depreciation					
31.12.2005.					
Charge	1 483 845	4 254 277	460 351	-	6 198 473
Disposals	39008	87084	20127	-	146219
Reclassification	44900	36846	105699	-	187445
Corrections for previous year's error					
30.09.2006.	1477953	4304515	374779	-	6157247
Net book value					
31.12.2005.	2 176 596	532 776	79 153	85 481	2 874 006
Net book value					
30.09.2006.	2027598	540429	136953	482064	3187044

10. Incomplete products

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 2006

Incomplete products	3173834	2670024
---------------------	---------	---------

11. Finished good and goods for sale

Finished products on stock	626457	560106
Canteen	589	889
Total	627046	560995

12. Trade receivables

Registered price of trade debtors	2937311	1955783
Total	2937311	1955783

13. Other receivables

Debts of the linked interprises		
VAT overpaid	60247	112423
	67890	98782
Housing and Communal Service	2798	10882
Payments to personnel	10247	13736
Other debtors	11497	30680
Total	152679	266503

14. Deferred expenses

	<u>9 month 2006</u>	<u>9 month 2005</u>
Payment for insurance	3426	-
Other expenses	7254	1808
Total	10 680	1808

15. Cash and bank

Cash in hand	1264	114
Cash at bank	72800	256794
Total	74064	256908

16. Share capital

AS "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
Report for 9 month 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		137135
30.09. 2006.		876693

18. Loans from credit institutions

Long-term part	2217506	2466693
Short-term part	1669612	649556

19. Advances received from consumers.

Latvia	333340	-
Russia	169521	569008
Estonia	179918	349800
Other	411577	1139523
Total	1094356	2058331

20. Trade payables

	<u>9 month 2006</u>	<u>9 month 2005</u>
Long-term part	0	0
Short-term part	2140884	2173221

21. Taxes and social insurance

	01.01. 2006.	Calculat ed	Calculat ed penalty fees	(Paid)/ repaid	Transfere d to/ from other taxes	30.09.2006.
VAT	(58 226)	666828		1197123	528274	(60247)
Other penalty	551	1 048		1 599		
Payroll tax	63 743	562424		429000	(67000)	130167
Social insurance	111 453	1017129		561628	(461274)	105680
Corporate income tax	84 182	60378		144560	-	-
Real estate tax (land)	-	7744		7744	-	-
Real estate tax (buildings)	22	21365		21387	-	-
Natural resource tax	5 333	9402		13947	-	788
The state tax for company's bussines	633	3916		4142	-	407
Total	207 691	2350234		2381130	-	176795

Hereof:

Liabilities/ 265 917

237042

(Overpaid) 58 226

60247

22. Average number of employees

Average number of employees

1685

1954

J.Kārklīņa

Member of the board