

Joint-Stock Company

"Liepājas metalurģs "

Reg.nr. 40003014197

FINANCIAL STATEMENTS

For 12 months of the year 2005

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Company's Information.

1 Full name:	Joint-Stock Company "Liepājas metalurgs"
2 Legal status:	Publicly-traded joint-stock company
3 State registration number:	40003014197
4 Taxpayer registration number:	40003014197
5 VAT payer registration number:	LV 40003014197
6 Legal address and phone number:	Brivibas street 93 Phone: +371 3455921
7 Office address and phone number:	Brivibas street 93 Phone: +371 3455921
8 Type of business activity:	Steel production
9 Year of account:	2005
10 Director:	Leons Ptichkins Position: Director and Board Member
11 Information on stockholders:	The largest stockholders are: Sergejs Zaharjins Proportion (%) of stocks (shares) owned 49% Ilja Segals Proportion (%) of stocks (shares) owned 20.8% Kirovs Lipmans Proportion (%) of stocks (shares) owned 17.7%
12 Members of the Board, including those who left their positions or in other way ended their job during the year of account:	Valerijs Terentjevs Ilja Segals Leons Ptichkins
13 Name of the bank, code, operating account number:	JSC "SEB Unibanka" Account number: LV96UNLA0012002467028
14 Chief accountant:	Ligita Berzupe 180454-10832
15 Auditor, number of license, address:	JSC "BDO Invest Riga" Address: Pulkveza Brieza street 19/1, Riga Aivars Putnins Number of license: 123
16 Average number of employees:	2796

**Information on affiliated companies, their
17 addresses, proportion (%) of shares owned
by JSC "Liepājas metalurgs" :**

JSC "Liepajas osta LM" Sliezu street 7/1, Liepaja	91.63%
"Futbola hokeja klubs Liepajas metalurgs" Ltd. Brivibas street 93, Liepaja	95%
"Ledus halle Liepajas metalurgs" Ltd. Brivibas street 93, Liepaja	90%
"Elme Messer Metalurgs" Ltd. Brivibas street 93, Liepaja	49%
"Metalurgs & Duna" Ltd. Sturmana street 1, Liepaja	50%
JSC "Liepajas tranzita ekspresis" Sliezu street 7/1, Liepaja	24%

Rīga, March 3, 2006

AUDITOR'S REPORTTo the management and shareholders of
"Liepājas Metalurgs" JSC

We have performed the audit of the financial statement of "Liepājas Metalurgs" JSC, registration No. 40003014197, as of December 31, 2005. The financial statement comprises the Balance Sheet as of December 31, 2005, the Profit and Loss Account, the Report on the Changes in Equity, the Cash Flow Statement for the year ended December 31, 2005 and the Appendix. This financial statement is the responsibility of "Liepājas Metalurgs" JSC management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing, issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes the assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. In the course of the audit performed we have established that the management report contained in the audited financial statement, which is part of the annual report, in all material aspects corresponds to the audited financial statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement presents fairly, in all material respects the financial position of the "Liepājas Metalurgs" JSC as of December 31, 2005, and of the results of its operations and its cash flows for the year 2005 in accordance with the law of the Republic of Latvia "On corporate annual reports".



D. Tunsts
Partner
"BDO Invest Rīga" JSC
Commercial Company Licence No. 112



A. Putniņš
Sworn Auditor
Certificate No.123



Joint-Stock Company "Liepājas metalurģis" Management statement of consolidated annual report 2005.

Description of business activity kinds.

The Joint-Stock Company "Liepājas metalurģis" has not changed its strategy and type of business activity in the year 2005. All operating units of the Company worked consistently at the level comparable to the previous year.

The largest markets for the Company sales included:

- Great Britain 17,4% (of the total product sales)
- Ireland 10,6%
- Portugal 9,4%
- Germany 6,8%
- USA 5,3%

and twenty-two other countries became home for the Company's product. Raw materials were received from regions similar to the previous year.

Net turnover from the main business activity reached 154,3 million LVL or 7,6 million LVL more than in the previous year. An increase in the net turnover was related to the "carried-in" inventory of 42 811 tons of various product from the year 2004.

The net profit for the period reached 4157,6 thousand LVL, which was by 150,8 thousand LVL less than in the year 2004. There was an additional profit in the amount of 1,3 million LVL received as a recovery of the "doubtful/bad debt" from the JSC LEER.

Since the cost of raw materials increased but the product sale price decreased, a reduced operating margin observed in 2005 resulted in lower net profit, compared to the year 2004.

In accordance with paragraph 1 article 32² of the law "On Pollution", Cabinet of Ministers regulations of 1 September 2004, and the Emission quotes distribution plan for the period of 2005-2007, the Emission quota of 1 109 490 was granted to the JSC "Liepājas metalurģis". The value of this quota was not reflected in the company's balance sheet.

Top activities and focus areas in the year 2005.

In the year 2005, the Company put its emphasis towards market research and market share increase in the new product sectors.

Technical development of the Company in the review period was primarily focused on:

- Introduction and further development of new technologies promoting further increase in production volume of the base product;

- Continuous product quality improvement to satisfy current requirements as well as possibly expand its presence in the newly entered markets. Continue product homologation certification work in new countries. Reduction of production cost and expenses;
- Maintenance of the current equipment in acceptable working condition, while rigorously progressing with the modernization plan announced in 2004;
- Ongoing monitoring of work and safety conditions with the resolution of potential issues.

In the review period Joint-Stock Company has not opened any new branch, structural unit, or agency.

Further development and plans of the company.

In steel production:

- Completion and commissioning of the continuous casting complex;
- Further progress with the modernization program.

In production of rolled steel:

- Modernization of rolling-mill packing area with installation of bundling machine for finished products; this task includes extension of the workshop bay;
- Complete the upgrade of the power supply system for the rolling mill 350/250;
- Acquisition of a new roller lathe for ingot line roller processing of rolling-mill 350/250;
- Installation of a new digitally controlled lathe; renovation of guides and cutting rolls;
- Installation of hard metal cylinder coils (CIC) for the rollers Nr.16 and Nr.20 of the rolling-mill 350/250.

In on-site equipment manufacturing area:

- Acquisition of the utilized sulphuric acid purification plant;
- Installation of exhaust ventilation system and air-cleaning scrubber in the etching area;

In the main laboratory:

- Acquisition and familiarization with a new equipment for stringer testing on fatigue resistance in accordance with EN 10080;

In the area of working conditions and safety engineering:

- Introduction of 51 measures to improve conditions on both accounts; total of 207 thousand LVL is budgeted for this program;
- Enforcement of proposed recommendations initiated by the Company's newly-formed safety engineering committee;
- Ongoing monitoring of the labor safety system and procedures.

Conditions and events after balance closing.

In the time period between the last day of review and the day the Board confirmed the annual report, there were no adverse circumstances, which would affect either the results presented in the report or the financial condition of the company.

Proposals regarding the profit distribution.

The Company's management proposed to retain the profit recorded for the fiscal year 2005, in the amount of 4 157 604 LVL, and use it entirely for the company future production development.

Joint-Stock Company "Liepājas metalurģs"
Chairman of Board

/V.Terentjevs/

PROFIT OR LOSS STATEMENT

FOR 12 MONTH OF THE YEAR 2005.

No.	Parameter designation	Line Code	For 12 months of the year 2005, LVL	For 12 months of the year 2005, EUR	For 12 months of the year 2004 LVL	For 12 months of the year 2004 EUR
1	2	3	4		5	6
1	Net turnover	010	154295000	219542006	146642399	208595162
2	Production costs for sold products	020	-136846083	-194714434	-123124012	-175140842
3	Gross profit or loss (from turnover)	030	17448917	24827572	23518387	33454320
4	Sales expenses	040	-4676741	-6654403	-2974996	-4231858
5	Administration expenses	050	-7489352	-10656388	-5680093	-8079791
6	Other income from economic activities of the enterprise	060	9602723	13663444	6393851	9095094
7	Other expenses from economic activities of the enterprise	070	-10959242	-15593597	-11250101	-16002989
8	Income from participation in affiliated enterprises	080	0	0	72523	103162
9	Income from securities and loans which formed long-term assets	090	0	0	0	0
10	Other income	100	214341	304980	150354	213875
11	Long-term financial investments and short-term securities value	110	0	0	-904117	-1286084
12	Interest payments and similar expenses	120	-289226	-411532	-174838	-248703
13	Profit or loss prior to extraordinary items and taxes	130	3851420	5480077	9150970	13017027
14	Extra incomes	140	122118	173758	121453	172764
15	Extra expenses	150	-501262	-713232	-244146	-347292
16	Profit or loss prior to taxes	160	3472276	4940604	9028277	12842499
17	Profit tax for review period	170	-96251	-136953	-2362118	-3360054
18	Defferred tax		1146667	1631560	-2079000	-2957326
18	Other taxes	180	-365088	-519473	-278759	-396528
19	Review period profit or loss after taxes	190	4157604	5915738	4308400	6128592

Chairman of Board

V. Terentjev

BALANCE SHEET

FOR 12 MONTH OF THE YEAR 2005.

LVL/EUR: 0.7028

LVL/EUR: 0.703

ASSETS	Line Code	31.12.2005, LVL	31.12.2005, EUR	31.12.2004, LVL	31.12.2004, EUR
I.LONG-TERM ASSETS					
I.Non-material assets					
1.Research work and enterprise development payments	10	89455	127283	141808	201718
2.Concessions, patents, licenses, trade marks and similar rights	20				
3.Other non-material investments	21				
4.Non-material value of the enterprise	30				
5.Advance payments for non-material investments	40				
I.TOTAL:	50	89455	127283	141808	201718
II.Capital assets					
1.Land, buildings and constructions, and long-term sites	60	29678574	42228806	26292137	37399910
2.Long-term investments in rented capital assets	70	25811	36726	13959	19856
3.Technological equipment and machinery	80	21404538	30455914	12720497	18094590
4.Other capital assets and inventory	90	1853575	2637400	2075362	2952151
5.Capital assets formation and payments for uncompleted construction projects	100	1460422	2077993	4724950	6721124
6.Advance payments for capital assets	110	1079357	1535787	1107762	1575764
II.TOTAL:	120	55502277	78972625	46934667	66763395
III.Long-term financial assets					0
1.Participation in capital of the related enterprises	130	4314626	6139160	3194850	4544595
2.Loans to related enterprises	140	3582563	5097528	4025474	5726137
3.Participation in affiliated enterprises capital	150	558343	794451	558343	794229
4.Loans to associated enterprises	160				
5.Other securities and investments	170				
6.Other loans	180	115949	164981	91036	129496
7.Own shares	190				
8.Loans to joint owners of the enterprise and management	200				
III.TOTAL:	210	8571481	12196119	7869703	11194457
Section 1 total amount:	220	64163213	91296027	54946178	78159570
2.CURRENT ASSETS					
I.Stock(savings)					
1.Raw materials, basic and auxiliary materials	230	10602962	15086656	7785565	11074772
2.Uncompleted products	240	369284	525444	592396	842669
3.Completed products and goods for sale	250	6819805	9703708	11782083	16759720
4.Uncompleted orders	260	359	511	14127	20095
5.Advance payments for goods	270	2424243	3449387	1373706	1954063
6.Labour animals and productive animals	280				
I.TOTAL:	290	20216653	28765706	21547877	30651319
II.Debtors					
1.Buyers and Customers debts	300	1750438	2490649	1121981	1595990
2.Related enterprises debts	310	1280980	1822670	1002454	1425966
3.Associated enterprises debts	320	32596	46380	32137	45714
4.Other debtors	330	4046800	5758078	1790282	2546632
5.Unpaid shares of the company capital	340				
6.Short-term loans to joint owners of the enterprise and management	350				
7.Future periods payments	360	52570	74800	42966	61118
II.TOTAL:	370	7163384	10192577	3989820	5675420
III.Securities and participation in capitals					
1.Participation in related enterprises capital	380				
2.Own shares	390				
3.Other securities and participation in capitals	400				
III.TOTAL:	410				
IV.Funds					
IV.TOTAL:	420	1396446	1986964	13623498	19379087
Section 2 total amount	430	28776483	40945246	39161195	55705825
B A L A N C E	440	92939696	132241274	94107373	133865395

LIABILITIES	Line Code				
1.OWNER'S EQUITY					
1.Share capital (fixed capital)	450	16981033	24161833	16981033	24155097
2.Share issue extra charge	460				0
3.Long-term investments revaluation reserve	470	26073458	37099188	26745272	38044484
4.Reserves:a)reserves stipulated by law	480				
4.Reserves:b)reserves for own shares	490				
4.Reserves:c)reserves stipulated in the company Statutes	500	346579	493137	346579	493000
4.Reserves:d)other reserves	510	7987544	11365251	3679144	5233491
4.TOTAL:	520	8334123	11858389	4025723	5726491
5.Undistributed profit a)undistributed profit FROM the previous years	530				
5.Undistributed profit b)undistributed profit of the review year	540	4157604	5915738	4308400	6128592
section 1. total amount:	550	55546218	79035148	52060428	74054663
2.SAVINGS					
1.Savings for pensions and similar obligations	560				
2.Savings for anticipated taxes	570		0	2079000	2957326
3.Other savings	580	1450000	2063164	1941560	2761821
section 2. total amount:	590	1450000	2063164	4020560	5719147
3.CREDITORS					
I.Long-term debts.					
1.Loans against bonds(obligations)	600				
2.Loans convertible into shares	610				
3.Loans from credit institutions	620				
4.Other loans	630				
5.Advance payments received from buyers	640				
6.Debts to suppliers and contractors	650				
7.Payable bills of exchange	660				
8.Debts to related enterprises	670				
9.Debts to associated enterprises	680				
10.Taxes and social insurance payments	690				
11.Other creditors	700				
12.Future income	710				
13.Review year dividends	720				
14.Unpaid dividends for previous years	730				
I.TOTAL:	740	0	0	0	0
II.Short-term debts.					
1.Loans against bonds(obligations)	750				
2.Loans convertible into shares	760				
3.Loans from credit institutions	770	9439940	13431825	4377403	6226747
4.Other loans	780	1607834	2287742	20001	28451
5.Advance payments received from buyers	790	496250	706100	123442	175593
6.Debts to suppliers and contractors	800	20303321	28889023	30442694	43303974
7.Payable bills of exchange	810	2337773	3326351	0	0
8.Debts to related enterprises	820	391617	557221	108879	154878
9.Debts to associated enterprises	830	19622	27920	20716	29468
10.Taxes and social insurance payments	840	597248	849807	2096653	2982437
11.Other creditors	850	749873	1066973	714480	1016330
12.Future income	860		0	122117	173708
13.Review year dividends	870				
14.Unpaid dividends for previous years	880				
II.TOTAL:	890	35943478	51142962	38026385	54091586
Section 3. total amount:	900	35943478	51142962	38026385	54091586
B A L A N C E	910	92939696	132241274	94107373	133865395
			0		

Chairman of Board

V.Terentjev

STATEMENT OF CASH FLOW (LVL) BY DIRECT METHOD
for 12 Month of the year 2005

	For 12 months of the year 2005, LVL	For 12 months of the year 2005, EUR	For 12 months of the year 2004, LVL	For 12 months of the year 2005, EUR
OPERATING CASH FLOW				
Paid by customers	152802185	217417922	169931307	241723054
Cash received from other economic activities	498817	709753	330324	469878
VAT overpayment received	6689188	9517857	4757714	6767730
Cash paid to suppliers and employees	-156191096	-222239908	-148344572	-211016461
<i>Cash received from basic activity</i>	3799094	5405624	26674773	37944201
Paid interest	-288664	-410732	-184296	-262156
Paid enterprise's income tax	-141853	-201839	-475034	-675724
Paid other taxes	-219099	-311750	-3005385	-4275085
<i>Cash flow before extraordinary items</i>	3149478	4481303	23010058	32731235
Net cash from economic activity	3149478.00	4481303	23010058.00	32731235
INVESTMENT CASH FLOW				
Acquisition of subsidiary company in net cash				
Acquisition of fixed assets	-13775180	-19600315	-8724308	-12410111
Sale of fixed assets	482941	687163	29243	41597
Long-term credit for students of JSC "LM"	-12271	-17460	-16875	-24004
Investments in allied companies	-123176	-175264	-39	-55
Net cash flow from investment operations	-13427686	-19105876	-8711979	-12392573
FINANCING CASH FLOW				
Repayment of long-term borrowings	0.00	0	-2944964.00	-4189138
Long-term borrowings	0.00	0	160113.00	227757
Paid liabilities for financial leasing	-20001	-28459	0	0
Repayment of loans and interests	37329	53114	741564	1054856
Loans to associated and allied companies	-70000	-99601	-4620572	-6572649
Short-term borrowings in net value (credit line)	-1644453	-2339846	4011107	5705700
Other investments (sponsorship)	-238533	-339402	-161700	-230014
Net cash from financial activities	-1935658	-2754193	-2814452	-4003488
Result of foreign exchange fluctuations	-13186	-18762	324364.00	461400
Net growth of cash and its equivalent	-12227052	-17397528	11807991	16796573
Cash and its equivalent at the beginning of accounting period	13623498	19384491	1815507	2582514
Cash and its equivalent at the end of accounting period	1396446	1986964	13623498	19379087

Joint-Stock Company " Liepājas Metalurģs "

DEBTORS

DEBTORS	As of 31.12.2005.		As of 31.12.2004.	
	LVL	EUR	LVL	EUR
Customers and affiliated companies' debts	3064014	4359699	2156572	3067670
Incl. Debts of buyers and customers	1750438	2490649	1121981	1595990
Incl. Debts of the allied enterprises	1280980	1822670	1002454	1425966
Incl. Debts of the associated enterprises (doubtful debtors debts out of balance)	32596	46380	32137	45714
Other debtors	4046800	5758078	1790282	2546632
Incl. VAT pretax from advance payments	32347	46026	450993	641526
Incl. Advance Settlements	14606	20782	7744	11016
Incl. VAT overpayments	1527168	2172964	1236229	1758505
Incl. Various debtors	29175	41512	95316	135585
Incl. Overpaid salaries	450	640	0	0
Incl. Overpaid taxes	33696	47945	0	0
Incl. security amounts in auction	53376	75947	0	0
Incl. cession debts	5853	8328	0	0
Incl. Advance payment of enterprise income tax	2350129	3343932	0	0
				0
Future periods payments	52570	74800	42966	61118
Incl. Press expenses	9507	13527	6979	9927
Incl. Other	867	1234	2774	3946
Incl. Property insurance	42196	60039	33213	47245
Total Debtors:	7163384	10192577	3989820	5675420

Joint-Stock Company "Liepājas Metalurģs"

DEBTS TO CREDITORS

CREDITORS	Amount at 31.12.2005.		Amount at 31.12.2004.	
	LVL	EUR	LVL	EUR
Long-term "Hahza leasing"	0.00		0	
Borrowings from credit institutions	5915324	8416748	4377403	6226747
Letters of credit (L/C)	3524616	5015077	0	0
Short term debt to "Hanza leasing"	0	0	20001	28451
Other borrowings "Hansa leasing"(factoring trans.)	1607834	2287742	0	0
Advance payments	496250	706100	123442	175593
		0		0
Debts to suppliers and contractors	20303321	28889023	30442694	43303974
Incl. Materials and gas	5106192	7265457	3492459	4967936
Incl. Services	911063	1296326	910060	1294538
Incl. Scrap, various services related to scrap delivery, processing	1659540	2361313	1048361	1491267
Incl. Capital assets	262900	374073	223816	318373
Incl. Medical department creditors	2774	3947	0	0
Incl. Settlements with enterprises and other business partners - non-residents	12332540	17547624	24735712	35185935
Incl. Other Creditors	28312	40284	32286	45926
Debts to allied enterprises	391617	557221	108879	154878
				0
Debts to associated enterprises	19622	27920	20716	29468
				0
Taxes and social insurance payments	597247	849806	2096653	2982437
Incl. State tax	1001	1424	1019	1450
Incl. Residents' Income tax	276600	393566	272485	387603
Incl. Real estate tax	0	0	36004	51215
Incl. Social tax	294098	418464	282421	401737
Incl. Property tax	0	0	0	0
Incl. Nature resources tax	25548	36352	13781	19603
Incl. Enterprise's Income tax	0	0	1489008	2118077
Incl. Value added tax	0	0	1935	2752
Other creditors	749874	1066975	714480	1016330
Incl. Payments for salaries	694202	987760	594341	845435
Incl. Deductions from salaries	55672	79214	120134	170888
Future periods incomes	0	0	122117	173708
Retained liabilities	2337773	3326351	0	0
Incl. deferred tax	932333	1326590	0	0
Incl. unused vacations	1405440	1999761	0	0
Total Creditors:	35943478	51142962	38026385	54091586

STATEMENT OF EQUITY CHANGES, LVL

	Fixed capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Undistributed profit of the review year	Total Equity
	LVL	LVL	LVL	LVL	LVL	LVL
As of 01.01.2004	16981033	15318300	346579	1379453	2353715	36379080
Profit in reserves				2353715	-2353715	0
Undistributed profit of the review period					4308400	4308400
Income from participation in related companies				-54024		-54024
Written-off revaluation reserve		-417457				-417457
Increase of revaluation reserve		11844429				11844429
As of 31.12.2004	16981033	26745272	346579	3679144	4308400	52060428
Profit for the year 2004						
Profit in reserves				4308400	-4308400	0
Undistributed profit of the review period					4157604	4157604
Increase of revaluation reserve						
Written-off revaluation reserve		-671814				-671814
As of 30.09.2005	16981033	26073458	346579	7987544	4157604	55546218

STATEMENT OF EQUITY CHANGES, EUR

	Fixed capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Undistributed profit of the review year	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
As at 01.01.2004	25194411	22727448	514212	2046666	3497348	53980085
Profit in reserves				3497348	-3497348	0
Undistributed profit of the review period					6128592	6128592
Income from participation in related companies				-76848		-76848
Exchange rate difference	-1039314	-937547	-21212	-233675		-2231748
Written-off revaluation reserve		-593822				-593822
Increase of revaluation reserve		16848405				16848405
As of 31.12.2004	24155097	38044484	493000	5233491	6128592	74054664
Profit for the year 2004						0
Profit in reserves				6128592	-6128592	0
Undistributed profit of the review period					5915735	5915735
Increase of revaluation reserve						0
Exchange rate difference	6736	10609	137	3168		20650
Written-off revaluation reserve		-955905				-955905
As of 30.09.2005	24161833	37099188	493137	11365251	5915735	79035144

Taxes and social security payments
in the year 2005

Tax Description	Balance as of 31.12.2004	Recorded in the year 2005	Paid in the year 2005	Balance as of 31.12.2005
Real estate tax	36003.74	332313	368316.74	0
Land tax	0	32775.28	32775.28	0
Income tax	272485.3	3114364.48	3110249.36	276600.42
Social security tax	282420.65	3504263.38	3492586.32	294097.71
Business risk duty	1018.5	12133.45	12151.3	1000.65
Enterprise income tax	1489007.89	96251.28	1585259.17	0
Natural resources tax	13781.2	70765.82	59680.11	24866.91
Packing tax	0	3099.86	2418.37	681.49
Excise tax	0	11153.69	11153.69	0
Value added tax	1935	0	1935	0
Total	2096652.28	7177120.24	8676525.34	597247.18

Net turnover by products
For 12 months of the year 2005

Product Description	For 12 months of the year 2005	For 12 months of the year 2005	For 12 months of the year 2004	For 12 months of the year 2004
	LVL	EUR	LVL	EUR
Rolled products	144135546	205086405	137558784	195673946
Wire	5065751	7207914	4355779	6195987
Nails	1489485	2119346	2020650	2874324
Consumer goods	12514	17806	11166	15883
Castings	2111668	3004633	1584864	2254430
Services	401893	571842	464210	660327
Sold steam, gCal	15160	21571	15807	22485
Medical department services	547720	779335	388840	553115
Transport services	406391	578242	203443	289393
Store products	0	0	4949	7040
Flinders	108872	154911	33907	48232
TOTAL	154295000	219542006	146642399	208595162

Joint Stock Company "Liepājas metalurģs"

Net turnover by geographic markets
in the year 2005

Market	For 12 months of the year 2005	For 12 months of the year 2005	For 12 months of the year 2004	For 12 months of the year 2004
	LVL	EUR	LVL	EUR
Latvia	20066273	28551734.2	9504762	13520287.34
Lithuania	10986490	15632366.92	6269691	8918479.374
Estonia	3647078	5189324.477	3023070	4300241.821
Other European countries	99621161	141748141.7	91568206	130253493.6
USA	7596112	10808293.64	20374846	28982711.24
Russia	2328206	3312738.687	316043	449563.3001
Other third countries	10049680	14299406.38	15585781	22170385.49
Total	154295000	219542006	146642399	208595162.2

Joint Stock Company "Liepājas metalurģs"

Production Costs
for 12 months of the year 2005

Cost description	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Materials	104391420	148535608.8	93955590	133649487.9
Salaries	9139380	13004166.17	8224680	11699402.56
Social deduction	2161710	3075836.222	1945360	2767226.174
Energy resources	11136909	15846393.87	7559810	10753641.54
Amortization	4610735	6560484.858	4432460	6305064.011
Other costs	5405929	7691943.984	7006112	9966019.915
Total	136846083	194714433.9	123124012	175140842.1

Joint Stock Company "Liepājas metalurģs"

Selling costs
For the 12 months of year 2005

Cost Description	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Wrapping materials	181827	258717	187807	267151
Transportation costs	897282	1276717	718537	1022101
Freight	1306118	1858438	150353	213873
Port handling charges	1911966	2720483	1702906	2422341
Insurance	9103	12952	1710	2432
Advertising and marketing costs	55613	79130	55535	78997
Other selling costs	257513	366408	158118	224919
Costs involving transactions with L/C and factoring	57319	81558	0	0
Total	4676741	6654403	2974966	4231815

Joint Stock Company "Liepājas metalurģs"

Management costs
For 12 months of the year 2005

Cost description	For 12 month of the year 2005		For 12 month of the year 2004	
	LVL	EUR	LVL	EUR
Salaries and social costs	5073436	7218849	3707807	5274263
Communication costs	155436	221166	148058	210609
Office supplies	1045944	1488244	987052	1404057
Legal and auditing fees	250644	356634	228580	325149
Presentation costs	118290	168312	70764	100660
Wear and tear of fixed assets	456833	650015	349897	497720
Travelling expenses	129171	183794	119615	170149
Management training	210154	299022	12577	17890
Costs of bank account services	34836	49567	39552	56262
Costs related to stockholders	14608	20785	16191	23031
Total	7489352	10656388	5680093	8079791

Income from other business activities
For 12 months of the year 2005

Income Description	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
sale of current assets	2895342	4119701	1693268	2408632
transit transport	1500602	2135164	962736	1369468
sale of fixed assets	482941	687163	46976	66822
and liquidation	11154	15871	0	0
currency exchange income	1722501	2450898	3232177	4597691
incoming surcharges	11357	16160	8816	12541
written-off revaluation reserve of fixed assets	671814	955905	177148	251989
past due debt recovery	1393964	1983432	1530	2176
other income from business activity	376928	536320	271199	385774
income from decrease of reserves	536120	762830	0	0
Total	9602723	13663444	6393850	9095092

Costs related to other business activities
for 12 month of the year 2005

Cost Description	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Costs of current assets sale	2615031	3720854	1325106	1884930
Costs of transportation services	1926428	2741060	1009664	1436222
Costs of noncore assets sale and liquidation payment	563671 201683	802032 286969	3285 210602	4673 299576
Currency exchange loss	3278583	4665003	3114449	4430226
Compensation of damage and other allowances	193905 55357	78766	204745 52030	291245 74011
Loss in value of Fixed assets	369824	526212	2668458	3795815
Reserves for doubtful debts	175241	249345	399930	568890
Reserves for vacations	0	0	404505	575398
Other reserves	1450000	2063164	521000	741110
Other expenses	114579	163031	1322549	1881293
Cost of social infrastructure	14940	21258	13778	19599
Total	10959242	15593597	11250101	16002989

Joint Stock Company "Liepājas metalurģs"

Interest Income
for 12 month of the year 2005

	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Income from lending to a legal entity	24827	35326	77920	110839
Income from interest on bank accounts	14101	20064	13878	19741
Income from deposit holdings	175413	249590	58557	83296
	214341	304980	150355	213876

Joint Stock Company "Liepājas metalurģs"

Other Taxes
for 12 month of the year 2005

	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Land tax	32775	46635	32542	46290
Real estate tax	332313	472839	246217	350238
	365088	519473	278759	396528

Joint Stock Company "Liepājas metalurģs"

Extraordinary costs
for 12 months of year 2005

Cost description	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Paid surcharges	1691	2415	10665	15186
Costs of sponsorship and charity	484133	688859	212060	301951
Irrecoverable debts	15438	21966	21421	30501
Total	501262	713232	244146	347638

Joint Stock Company "Liepājas metalurģs"

Extraordinary Income
for 12 months of year 2005

Payments	For 12 months of the year 2005		For 12 months of the year 2004	
	LVL	EUR	LVL	EUR
Income from the price difference on privatization certificates	122118	173758	121453	172764
Total	122118	173758	121453	172764