

Joint-stock company

"Liepājas metalurģs "

Reg.nr. 40003014197

FINANCIAL STATEMENT

For 6 month of the year 2005

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LATVIAN REPUBLIC



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Joint-stock company "Liepājas metalurģis" Leadership report

The economical activity of first six month of the year 2005 for JSC "Liepājas metalurģis" gives the profit in amount of LVL 1 317 788,-, but it is for LVL 986 233,- less than compared this result with profit of first six month of last year.

Net turnover of first six month this year is about 71,7 milj. LVL, it is about 4,4 milj.LVL more than in the same time period in the year 2004. The activity of JSC "Liepājas metalurģis" has not any changes. Growth of net turnover is involving with the 5,7% growth of produce selling prices compared with first half of last year, but decrease of profit is involving with 33,6% growth of raw material price compared with first six month of the year 2004.

JSC "EER" in the first half of the year 2005 covered it's account receivable to JSC "Liepājas metalurģis", the amount LVL 1 366 424,- is covered by realty. It decreases the "debts of debtors" and increases the profit of JSC "Liepājas metalurģis" in the year 2005.

The "changes of exchange rate" in the review period gives LVL 1,1 milj. loss to JSC "Liepājas metalurģis", but the loss of "changes of exchange rate" in the first 6 month of the year 2004 was LVL 0,1 milj.

JSC "Liepājas metalurģis" make the modernization in the plant with out diminution of scale of production. At present the company makes construction of new continuous casting equipment, although the discussions and tackling of a technical problems about a change of open furnace to electrical furnace are in progress.

Joint-stock company "Liepājas metalurģis"

Chairman of Board

/V.Terentjevs/

CALCULATION OF PROFIT OR LOSS

FOR 6 MONTH OF THE YEAR 2005.

No.	Parameter designation	Line Code	At the end of the period of accountant Ls	At the end of the period of accountant EUR	At the beginning of the period of accountant Ls	At the beginning of the period of accountant EUR
1	2	3	4		5	6
1	Net turnover	010	71713579	102039230	67299163	101507033
2	Production costs for sold products	020	-62921250	-89528873	-54206868	-81759982
3	Gross profit or loss (from turnover)	030	8792329	12510357	13092295	19747051
4	Sales expenses	040	-1632438	-2322750	-1449274	-2185934
5	Administration expenses	050	-3683766	-5241527	-1763649	-2660104
6	Other income from economic activities of the enterprise	060	4940996	7030404	2249499	3392910
7	Other expenses from economic activities of the enterprise	070	-6226184	-8859062	-9139322	-13784799
8	Incomes from participation in daughter or associated enterprises	080	0	0	-	0
9	Incomes from securities and loans which formed long-term	090	0	0	-	0
10	Other interest incomes and similar incomes	100	63458	90293	53269	80345
11	Long-term financial investments and short-term securities value	110	0	0	-	0
12	Interest payments and similar expenses	120	-96415	-137186	-91256	-137641
13	Profit or loss prior to extraordinary items and taxes	130	2157980	3070529	2951562	4451828
14	Extra incomes	140	0	0	-	0
15	Extra expenses	150	-353287	-502682	-166752	-251511
16	Profit or loss prior to taxes	160	1804693	2567847	2784810	4200317
17	Profit tax for review period	170	-300292	-427277	-347500	-524133
18	Other taxes	180	-186613	-265526	-133289	-201039
19	Review period profit or loss after taxes	190	1317788	1875043	2304021	3475145

Chairman of Board

V. Terentjev

JSC LIEPAJAS METALURGS

BALANCE

FOR 6 MONTH OF THE YEAR 2005.

ACTIVE	Line Code	2005.g. LVL	2005 EUR	2004.g. 6 m LVL	2004 y.6 m
I.LONG-TERM INVESTMENTS					
I.Non-material Investments					
1.Research work and enterprise development payments	10				
2.Concessions, patents, licenses, trade marks and similar rights	20	113694	161772	111090	158023
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	113694	161772	111090	158023
II.Capital assets					
1.Land areas, buildings and constructions and long-term sites	60	25594243	36417327	18584117	26435444
2.Long-term investments in rented capital assets	70	16983	24165		
3.Technological equipment and machines	80	11217368	15960877	13228928	18817821
4.Other capital assets and inventory	90	2060654	2932046	1758831	2501893
5.Capital assets formation and payments for uncompleted construction objects	100	9024432	12840610	887511	1262462
6.Advance payments for capital assets	110	3141346	4469733	468291	666132
II.TOTAL:	120	51055026	72644757	34927678	49683752
III.Long-term financial investments			0		
1.Participation in the capital of the related enterprises	130	3425030	4873379	4169283	5930701
2.Loans to the related enterprises	140	4045474	5756191		
3.Participation in the affiliated enterprises capital	150	720956	1025828	579242	823957
4.Loans to the associated enterprises	160			674000	958748
5.Other securities and investments	170				
6.Other loans	180	98017	139466	66602	94740
7.Own shares	190				
8.Loans to joint owners of the enterprise and management	200				
III.TOTAL:	210	8289477	11794863	5489127	7808147
Section 1 total amount:	220	59458198	84601394	40527895	57649922
2.CURRENT ASSETS			0		
I.Stock(savings)			0		
1.Raw materials, basic auxiliary materials	230	7456456	10609581	7720756	10982583
2.Uncompleted products	240	1028418	1463307	1041684	1481770
3.Completed products and goods for sales	250	12337302	17554399	7541169	10727125
4.Uncompleted orders	260	452	643		
5.Advance payments for goods	270	759320	1080415	1469215	2089922
6.Labour animals and productive animals	280				
I.TOTAL:	290	21581948	30708345	17772824	25281400
II.Debtors			0		
1.Buyers and Customers debts	300	1116058	1588007	809152	1150999
2.Related enterprises debts	310	540984	769751	455230	647553
3.Associated enterprises debts	320	30157	42910	32329	45987
4.Other debtors	330	1822289	2592884	836567	1189996
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	60169	85613	38233	54385
II.TOTAL:	370	3569657	5079164	2171511	3088920
III.Securities and participation in capitals			0		
1.Participation in the related enterprises capital	380				
2.Own shares	390				
3.Other securities and participation in capitals	400	3256	4633		
III.TOTAL:	410	3256	4633		
IV.Funds		5880910	8367781		
IV.TOTAL:	420	5880910	8367781	1815507	2582514
Section 2 total amount	430	31035771	44159924	21759842	30952834
B A L A N C E	440	90493969	128761318	62287737	88602755

PASSIVE	Line Code	2005.g. LVL	2005 y. EUR	2004 y. LVL	2004.y.6 m.EUR
1.OWN CAPITAL					
1.Share capital(fixed capital)	450	16981033	24161833	16981033	25612418
2.Share issue extra charge	460				
3.Long-term investments revaluation reserve	470	26705294	37998210	15307947	23088910
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	400603	604228
4.Reserves:d)other reserves	510	8257161	11748882	1325429	1999139
4.TOTAL:	520	8603740	12242019	1726032	2603367
5.Undistributed profit a)undistributed profit of the previous years	530	0	0	2463469	3715640
5.Undistributed profit b)undistributed profit of the review year	540	1317788	1875043	2304021	3475145
section 1. total amount:	550	53607855	76277106	38782502	58495478
2.SAVINGS			0		0
1.Savings for pensions and similar obligations	560				
2.Savings for anticipated taxes	570	2079000	2958150		
3.Other savings	580	3041560	4327750	8012045	12084532
section 2. total amount:	590	5120560	7285900	8012045	12084532
3.CREDITORS			0		0
I.Long-term debts.			0		0
1.Loans against bonds(obligations)	600				
2.Share revaluation loans	610				
3.Loans from credit institutions	620				0
4.Other loans	630			20970	31629
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 periods income	710				
13.Review year dividends	720				
14.Unpaid dividends for previous years	730				
I.TOTAL:	740			20970	31629
II.Short-term debts.			0		0
1.Loans against bonds(obligations)	750				
2.Share revaluation loans	760				
3.Loans from credit institutions	770	4198592	5974058	0	0
4.Other loans	780	11236	15987	12117	18276
5.Advance payments received from buyers	790	464829	661392	1248910	1883725
6.Debts to suppliers and contractors	800	25106895	35723893	28017000	42257919
7.Payable bills of exchange	810				
8.Debts to related enterprises	820	25557	36364	38816	58546
9.Debts to associated enterprises	830	19037	27087	17996	27143
10.Taxes and social insurance payments	840	1312155	1867028	920360	1388175
11.Other creditors	850	505135	718742	468462	706579
12.Future periods income	860	122118	173758	243572	367379
13.Review year dividends	870				
14.Unpaid dividends for previous years	880				
II.TOTAL:	890	31765554	45198311	30967233	46707742
Section 3. total amount:	900	31765554	45198311	30988203	46739371
B A L A N C E	910	90493969	128761318	77782750	117319382

Chairman of Board

V.Terentjev

STATEMENT OF CASH FLOW (LVL) BY DIRECT METHOD
for 6 Month of the year 2005

	Accounting period LVL	period EUR
OPERATING CASH FLOW		
Paid in by buyers and customers	68031751	96800461
Cash received from the other economic activities	18756799	26688521
Cash paid to suppliers and employees	-85486450	-121636260
<i>Cash received from the basic activity</i>	1302100	1852721
Paid interest	-96013	-136614
Paid enterprise's incom tax		0
Paid other taxes	-3152030	-4484935
<i>Cash flow before extraordinary items</i>		0
Received insurance indemnity for flood damages		0
<i>Net cash from economic activity</i>	-1945943	-2768827
		0
INVESTMENT CASH FLOW		0
Acquisition of subsidiary company in net cash	0	0
Acquisition of fixed assets	-6011924	-8554197
Sale of fixed assets	210882	300058
Received interest	21757	30957
<i>Net cash from investment operations</i>	-5779285	-8223182
		0
FINANCING CASH FLOW		0
Issue of shares		0
Long term loans		0
Paid liabilities for financial leasing		0
Loans to factory's scholars	-3761	-5351
Paid dividends		0
<i>Net cash from financial activities</i>	-3761	-5351
		0
Result of foreign exchange fluctuations	-13599	-19350
		0
Net growth of cashs and it's equivalent	-7742588	-11016710
Cash and it's equivalent at the beginning of accounting period	13623498.00	19384491
Cash and it's equivalent at the end of accounting period	5880910.00	8367781

Joint-Stock Company "Liepajas Metalurgs"

DEBTORS

DEBTORS	Amount at 1.07.2005.		Amount at 1.07.2004.	
	LVL	EUR	LVL	EUR
Total Buyers and Customers debts	1687199.00	2400668	2495244	3763566
Incl. Debts of buyers and customers	1116058.00	1588007	1851222	2792190
Incl. Debts of the allied enterprises	540984.00	769751	614237	926451
Incl. Debts of the associated enterprises	30157.00	42910	29785	44925
		0		0
Other debtors	1822289.00	2592884	1297274	1956673
Incl. Accounted & not paid VAT	0.00	0	607596	916434
Incl. Advance Settlements	24250.00	34505	20626	31110
Incl. VAT overpayment to the Budget	1032050.00	1468475	658771	993621
Incl. Debt for caused damages to the enterprise	9663.00	13749	40	60
Incl. Various debtors	43665.00	62130	9176	13840
Incl. Overpaid salaries	572.00	814	1065	1606
Incl. Overpaid taxes	643810.00	916059	0	0
Incl. security sum in auction	55279.00	78655	0	0
Incl. other taxes	13000.00	18497	0	0
Short-term loans to employees	0.00	0		0
		0		0
Future periods payments	60169.00	85613	66519	100330
Incl. Press expenses	6292.00	8953	4155	6267
Incl. Other	10769.00	15323	28643	43202
Incl. Property insurance	43108.00	61337	33721	50861
		0		0
Total Debtors:	3569657.00	5079164	3859037	5820569

Joint-Stock Company "Liepajas Metalurgs"

DEBTS TO CREDITORS

CREDITORS	Amount at 1.07.2005.		Amount at 1.07.2004.	
	LVL	EUR	LVL	EUR
Long-term borrowings from credit institutions	0.00		0	
Long-term "Hahza leasing"			20970	31629
Borrowings from credit institutions	4198592.00	5974058	0	0
Short term debt to "Hanza leasing"	11236.00	15987	12117	18276
Advance payments	464829.00	661392	1248910	1883725
Debts to suppliers and contractors	25106895.00	35723893	28017000	42257919
Incl. Materials and gas	2788104.00	3967115	2621165	3953492
Incl. Services	870963.00	1239269	748037	1128261
Incl. Scrap, various services related to scrap delivery, processing	391479.00	557024	1264607	1907401
Incl. Capital assets	74068.00	105389	122211	184330
Incl. for Deducal department creditors	2182.00	3105	1583	2388
Incl. Settlements with enterprises and other business partners - non-residents	20949675.00	29808702	23502119	35448143
Incl. Other Creditors	30424.00	43289	0	0
Debts to allied enterprises	25557.00	36364	38816	58546
Debts to associated enterprises	19037.00	27087	17996	27143
Taxes and social insurance payments	1312155.00	1867028	920360	1388175
Incl. State tax	1022.00	1454	1028	1551
Incl. Residents' Income tax	197401.00	280876	191845	289359
Incl. Real estate tax	0.00	0	19762	29807
Incl. Social tax	296932.00	422496	286835	432632
Incl. Land tax	7500.00	10672	2000	3017
Incl. Nature resources tax	20000.00	28457	13005	19615
Incl. Enterprise's Income tax	789300.00	1123073	406180	612640
Other creditors	505135.00	718742	468462	706579
Incl. Payments for salaries	475187.00	676130	442472	667379
Incl. Deductions from salaries	29948.00	42612	25990	39201
Future periods incomes	122118.00	173758	243572	367379
Total Creditors:	31765554.00	45198311	30988203	46739371

STATEMENT OF EQUITY CAPITAL CHANGES

	Fixed capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Undistributed profit of the review year	Undistributed profit of the previous years	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 01.01.2004	16981033	15318300	346579	1379453	2463469	0	36488834
Profit of year 2003 for previous year							0
Profit counted in reserves				2463469	-2463469	0	0
Undistributed profit of the review period					4468263		4468263
Income participation in realited companies				-54024			-54024
Written-off revaluation reserve		-417457					-417457
Increase of revaluation reserve		11844429					11844429
As at 31.12.2004	16981033	26745272	346579	3788898	4468263	0	52330045
Profit of year 2004 for previous year							
Profit counted in reserves				4468263	-4468263		0
Undistributed profit of the review period					1317788		1317788
Increase of revaluation reserve							
Written-off revaluation reserve		-39978					-39978
As at 30.07.2005	16981033	26705294	346579	8257161	1317788	0	53607855

STATEMENT OF EQUITY CAPITAL CHANGES

	Fixed capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Undistributed profit of the review year	Undistributed profit of the previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 01.01.2004	25194411	22727448	514212	2046666	3654998	0	54137735
Profit counted in reserves				3465816	-3465816	0	0
Undistributed profit of the review period					6355993		6355993
Income of participation in realited companies				-76848			-76848
Exchange rate difference	-1039314	-937547	-21212	-46021	-189182		-2233276
Written-off revaluation reserve		-593822					-593822
Increase of revaluation reserve		16848405					16848405
As at 31.12.2004	24155097	38044484	493000	5389613	6355993	0	74438187
Profit of year 2004 for previos year							0
Profit counted in reserves				6357765	-6357765		0
Undistributed profit of the review period					1875043		1875043
Increase of revaluation reserve							0
Exchange rate difference	6736	10610	137	1504	1772		20759
Written-off revaluation reserve		-56884					-56884
As at 30.07.2005	24161833	37998210	493137	11748882	1875043	0	76277105

Net turnover by products

Kind of production	2005		2004	
	LVL	EUR	LVL	EUR
Rolled steel	66072825	94013160	61615764	92934787
Wire	3239330	4609151	3312183	4995751
Nails	797751	1135097	973962	1469023
Consumer goods	10486	14920	7889	11899
Castings	961630	1368276	752216	1134564
services	90290	128471	395925	597172
Sold steam, gCal	7634	10862	8220	12398
Medical department	235741	335429	179107	270146
Transport services	217590	309603	48908	73768
Flinders	80302	114259	40	60
Store procuds	0	0	4949	7465
TOTAL	71713579	102039230	67299163	101507033

Net turnover by geographical markets
for 6 month of the year 2005

Market	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Latvia	2830420	4027325	3735951	5634919
Lithuania	5339041	7596771	2037755	3073537
Estonia	904475	1286952	6022829	9084207
European Community's countries	51576283	73386439	0	0
Russia	939701	1337074	19602	29566
Byelorussia	98810	140594	0	0
The Ukraine	0	0	990831	1494466
Kazakhstan	267212	380208	0	0
Other third countries	9757637	13883867	0	0
West market	0	0	54492195	82190339
Total	71713579	102039230	67299163	101507033

Breakdown is changed in the year 2005.

The West market is divided into EU and other countries.

Production costs of sold produce
for 6 month of the year 2005

Costs	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Materials	47876780	68122521	41365260	62391040.7
Salaries	4184260	5953665.6	3621020	5461569
Social deduction	987860	1405598.1	856460	1291795
Energy resources	5235050	7448805.1	4504590	6794253
Amortization	2221120	3160369	1951448	2943360
Other costs	2416180	3437914.4	1908090	2877964
Total	62921250	89528873	54206868	81759981.9

Selling costs
for 6 month of the year 2005

Costs	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Wrapping material	86637	123273	85512	128977
Fee for transport	489971	697166	278237	419664
Fee for ship freightage	38768	55162	91006	137264
Produce reloading in port	881223	1253867	827144	1247578
Advertisement and other marketing costs	33171	47198	38902	58676
Other selling costs	102668	146083	128473	193775
Total	1632438	2322750	1449274	2185934

Management costs

Costs	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Salaries and social costs of managenet	2561899	3645253.9	911583	1374936.7
Costs of phone calls, internet postal and other communication services	65409	93068.622	65463	98737.557
Stationery and other costs of office and management upkeeping	544745	775102.3	457147	689512.82
Costs of lawyer and audit	130516	185707.54	97632	147257.92
Costs of presentations	36421	51822.414	4292	6473.6048
Wear and tear of fixed assets	230948	328609.4	132573	199959.28
Business trips of management	69807	99326.412	73259	110496.23
Drilling of management	8169	11623.44	4930	7435.8974
Costs for Bank account services	28495	40544.732	11175	16855.204 0
Costs regarding with stockholders	7357	10468.068	5595	8438.914
Total	3683766	5241526.8	1763649	2660104.1

Other income of economical activity
For 6 month of the year 2005

Income	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
From:realization of current assets	1563807	2225097	401511	605597
transit transport	792535	1127676	385146	580914
selling of fixed assets and elimination	208368	296481	18392	27741
rise of exchange rate	617719	878935	1264674	1907502
incoming surcharges	6446	9171.832	663	1000
written-off revaluation reserve of fixed assets	39978	56883.57	10353	15615
recovered amount from unsettled debtors	1385400	1971247	536	808
other income from economical activity	326743	464913.4	168224	253732
Total	4940996	7030404	2249499	3392910

Other costs of economical activity
for 6 month of the year 2005

Costs	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Costs of current assets selling	1468436	2089396.2	311185	469358.97 0
Costs of transit services	1018982	1449880.8	413058	623013.57
Costs of fixed assets selling	351881	500681.56	28697	43283.56
Costs of exchange rate decline	1712877	2437204.4	1351686	2038742.1
Costs of reserve establishment	1000000	1422871.8	6995990	10552021
Compensation of damage and other allowances	156748	223032.31	24712	37273.002
Other expenses	517260	735994.67	13994	21107.089
Total	6226184	8859061.7	9139322	13784799

Extraordinary costs (expenses uncommitted with economical activity)
for 6 month of year 2005

Costs	Amount at 01.07.2005.		Amount at 01.07.2004.	
	LVL	EUR	LVL	EUR
Payed surcharges	21	30	10336	15590
Welcoming of business partners	0	0	25348	38232
Costs of sponsorship and other	264100	375780	44706	67430
Costs of infrastructure upkeeping	89166	126872	86362	130259
Total	353287	502682	166752	251511