

Joint-stock company

"Liepājas metalurģs "

Reg.nr. 40003014197

FINANCIAL STATEMENT

For 12 month of the year 2005

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CALCULATION OF PROFIT OR LOSS (Noaudit)

FOR 12 MONTH OF THE YEAR 2005.

No.	Parameter designation	Line Code	At the end of the period of accountant LVL	At the end of the period of accountant EUR	For 12 month of the year 2004 LVL	For 12 month 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	9601418	13661587	6393851	9095094
7	Other expenses from economic activities of the enterprise	070	-9512740	-13535410	-11250101	-16002989
8	Incomes from participation in daughter or associated enterprises	080	0	0	72523	103162
9	Incomes from securities and loans which formed long-term	090	0	0	0	0
10	Other interest incomes and similar incomes	100	214341	304980	150354	213875
11	Long-term financial investments and short-term securities value	110	0	0	-974934	-1386819
12	Interest payments and similar expenses	120	-289226	-411532	-174838	-248703
13	Profit or loss prior to extraordinary items and taxes	130	5296617	7536407	9080153	12916292
14	Extra incomes	140	122118	173758	121453	172764
15	Extra expenses	150	-501262	-713232	-244146	-347292
16	Profit or loss prior to taxes	160	4917473	6996934	8957460	12741764
17	Profit tax for review period	170	-95676	-136135	-2362118	-3360054
	Deffered tax		-305859	-435198	-2079000	-2957326
18	Other taxes	180	-365088	-519473	-278759	-396528
19	Review period profit or loss after taxes	190	4150850	5906127	4237583	6027856

Chairman of Board

V. Terentjev

BALANCE (Noaudit)
FOR 12 MONTH OF THE YEAR 2005.

ACTIVE	Line Code	2005.g. LVL	2005.g. EUR	2004.g. LVL	2004.g. EUR
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	89455	127283	141808	201718
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 areas, 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 machines	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 objects	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 investments					
1.Participation in the capital of the related enterprises	130	4314626	6139160	3194850	4544595
2.Loans to the related enterprises	140	3582563	5097528	4025474	5726137
3.Participation in the affiliated enterprises capital	150	558343	794451	558343	794229
4.Loans to the 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	4055838	5770938	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	7172422	10205437	3989820	5675420
III.Securities and participation in capitals					
1.Participation in the related enterprises capital	380				
2.Own shares	390				
3.Other securities and participation in capitals	400				
III.TOTAL:	410				
IV.Funds		1396446	1986964	13623498	19379087
IV.TOTAL:	420	1396446	1986964	13623498	19379087
Section 2 total amount	430	28785521	40958106	39161195	55705825
B A L A N C E	440	92948734	132254133	94107373	133865395

PASSIVE	Line Code				
1.OWN CAPITAL					
1.Share capital(fixed capital)	450	16981033	24161833	16981033	24155097
2.Share issue extra charge	460				
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 of the previous years	530				
5.Undistributed profit b)undistributed profit of the review year	540	4150850	5906127	4308400	6128592
section 1. total amount:	550	55539464	79025538	52060428	74054663
2.SAVINGS					
1.Savings for pensions and similar obligations	560				
2.Savings for anticipated taxes	570	2384859	3393349	2079000	2957326
3.Other savings	580	1405440	1999761	1941560	2761821
section 2. total amount:	590	3790299	5393110	4020560	5719147
3.CREDITORS					
I.Long-term debts.					
1.Loans against bonds(obligations)	600				
2.Conventible in to 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 periods income	710				
13.Review year divvy	720				
14.Unpaid divvy for previous years	730				
I.TOTAL:	740	0		0	
II.Short-term debts.					
1.Loans against bonds(obligations)	750				
2.Conventible in to 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				
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	610512	868680	2096653	2982437
11.Other creditors	850	749875	1066976	714480	1016330
12.Future periods income	860			122117	173708
13.Review year divvy	870				
14.Unpaid divvy for previous years	880				
II.TOTAL:	890	33618971	47835486	38026385	54091586
Section 3. total amount:	900	33618971	47835486	38026385	54091586
B A L A N C E	910	92948734	132254133	94107373	133865395

Chairman of Board

V.Terentjev

Joint Stock Company "Liepajas metalurģs"

STATEMENT OF CASH FLOW (LVL) BY DIRECT METHOD

for 12 Month of the year 2005

	Accounting period		2004 g year	
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Paid in by buyers and customers	152802185	217417922	169931307	241723054
Cash received from the other economic activities	498817	709753	330324	469878
VAT overpayment received from the Budget	6689188	9517857	4757714	6767730
Cash paid to suppliers and employees	-156499630	-222678912	-148506272	-211246475
<i>Cash received from the basic activity</i>	3490560	4966619	26513073	37714186
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>	2840944	4042299	22848358	32501220
Received insurance indemnity for flood damages	0.00	0	0.00	0
<i>Net cash from basic economic activity</i>	2840944	4042299	22848358	32501220
INVESTMENT CASH FLOW				
Acquisition of subsidiary company in net cash		0		
Acquisition of fixed assets	-13775180	-19600315	-8724308	-12410111
Sale of fixed assets	482941	687163	29243	41597
Received interest		0		0
Investments in allied companies	-123176	-175264	-39	-55
<i>Net cash flow from investment operations</i>	-13415415	-19088416	-8695104	-12368569
FINANCING CASH FLOW				
Repayment of long term borrowings	0.00	0	-2944964.00	-4189138
Long term loans borrowings	0.00	0	160114.00	227758
Paid liabilities for financial leasing	-20001	-28459	0	
Loans to factory's scholars	-12271	-17460	-16875	-24004
Repayment of credits and interests	37329	53114	741564	1054856
Credits to associated and allied companies	-70000	-99601	-4620572	-6572649
Short term borrowing in net value (credit line)	-1644454	-2339847	4011107	5705700
<i>Net cash from financial activities</i>	-1709397	-2432253	-2669626	-3797477
		0		
Result of foreign exchange fluctuations	-13184	-18759	324364.00	461400
		0		
<i>Net growth of cashs and it's equivalent</i>	-12297052	-17497129	11807992	16796575
Cash and it's equivalent at the beginning of accounting period	13623498	19384491	1815507	2582514
Cash and it's equivalent at the end of accounting period	1396446	1986964	13623498	19379087

Joint-Stock Company "Liepajas Metalurgs"

DEBTORS

DEBTORS	Amount at 31.12.2005.		Amount at 31.12.2004.	
	LVL	EUR	LVL	EUR
Total Buyers and Customers 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	32596	46380	32137	45714
(doudtful debtors debts out of balance)	/439122/		/233238/	
Other debtors	4055838	5770938	1790282	2546632
Incl. VAT pretaax from advence payments	45611	64899	450993	641526
Incl. Advance Settlements	14606	20782	7744	11016
Incl. VAT overpayment to the Budget	1522365	2166130	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 sum in auction	53376	75947	0	0
Incl. cession debts	5853	8328	0	0
Incl. Advance payment of enterprises income tax	2350706	3344753	0	0
Unpaid part of capital	0	0	0	0
Short-term loans to employees	0	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:	7172422	10205437	3989820	5675420

Joint-Stock Company "Liepajas Metalurgs"

DEBTS TO CREDITORS

CREDITORS	Amount at 31.12.2005.		Amount at 31.12.2004.	
	LVL	EUR	LVL	EUR
Long-term borrowings from credit institutions				
Long-term "Hahza leasing"			0	0
Borrowings from credit institutions	5915324	8416748	4377403	6226747
		0		0
Letter of credit (L/C)	3524616	5015077	0	0
Short term debt to "Hanza leasing"	0		20001	28451
Other borrowings "Unileasing" (factoring transaction)	1578142	2245494	0	0
"Hanza leasing"	29692	42248	0	0
Advance payments	496250	706100	123442	175593
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. for 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
Debts to associated enterprises	19622	27920	20716	29468
Taxes and social insurance payments	610512	868680	2096653	2982437
Incl. State tax	1001	1424	1019	1450
Incl. Residents' Income tax	276600	393566	272485	387603
Incl. Real estate tax		0	36004	51215
Incl. Social tax	294098	418464	282421	401737
Incl. Land tax	0	0	0	0
Incl. Nature resources tax	25548	36352	13781	19603
Incl. Enterprise's Income tax	0	0	1489008	2118077
Incl. Paid VAT from received advances	13265	18874	1935	2752
Other creditors	749875	1066976	714480	1016330
Incl. Payments for salaries	694203	987762	594341	845435
Incl. Deductions from salaries	55672	79214	120134	170888
				0
Future periods incomes	0	0	122117	173708
		0		0
Total Creditors:	33618971	478354861	38026385	54091586

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(after the change of bookkeeping policy)	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 01.01.2004	16981033	15318300	346579	1379453	2463469	-109754	36379080
Profit of year 2003 for previous year							0
Profit counted in reserves				2463469	-2463469	0	0
Undistributed profit of the review period					4468263	-159863	4308400
Income participation in realited companies				-54024			-54024
Written-off revaluation reserve		-417457					-417457
Increase of revaluation reserve		11844429					11844429
Adjustment connected with the change of bookkeeping policy				-109754	-159863	269617	0
As at 31.12.2004	16981033	26745272	346579	3679144	4308400	0	52060428
Profit of year 2004 for previous year							
Profit counted in reserves				4308400	-4308400		0
Undistributed profit of the review period					4150850		4150850
Increase of revaluation reserve							
Written-off revaluation reserve		-671814					-671814
As at 31.12.2005	16981033	26073458	346579	7987544	4150850	0	55539464

STATEMENT OF EQUITY CAPITAL CHANGES

	Fixsed capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Undistribut ed profid of the review year	Undistributed profit of the previous years(after the change of bookkeeping policy)	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 01,01.2004	25194411	22727448	514212	2046666	3654998	-162840	53974895
Profit counted in reserves				3465816	-3465816	0	0
Undistributed profit of the review period					6355993	-227401	6128592
Income of participation in realited companies				-76848			-76848
Exchange rate difference	-1039314	-937547	-21212	-39303	-189182		-2226558
Written-off revaluation reserve		-593822					-593822
Increase of revaluation reserve		16848405					16848405
adjustment connected with the change of bookkeeping policy				-162840	-227401	390241	0
As at 31.12.2004	24155097	38044484	493000	5233491	6128592	0	74054664
Profit of year 2004 for previos year							0
Profit counted in reserves				6130301	-6130301		0
Undistributed profit of the review period					5906127		5906127
Increase of revaluation reserve							0
Exchange rate difference	6736	10609	137	1459	1709		20650
Written-off revaluation reserve		-955905					-955905
As at 31.12.2005	24161833	37099188	493137	11365251	5906127	0	79025536

Net turnover by products
For 12 month of the year 2005

Kind of production	2005 g 12 month		2004 g 12 month	
	LVL	EUR	LVL	EUR
Rolled steel	144135546	205086405	137558784	96703825
Wire	5065751	7207914	4355779	3062113
Nails	1489485	2119346	2020650	1420517
Consumer goods	12514	17806	11166	7850
Castings	2111668	3004633	1584864	1114159
services	401893	571842	464210	326340
Sold steam, gCal	15160	21571	15807	11112
Medical department	547720	779335	388840	273355
Transport services	406391	578242	203443	143020
Store products	0	0	4949	3479
Flinders	108872	154911	33907	23837
TOTAL	154295000	219542006	146642399	103089606

Joint Stock Company "Iiepajas metalurģs"

Net turnover by geographical markets
in the year 2005

Market	2005 year		2004 year	
	LVL	EUR	LVL	EUR
Latvia	20066273	28551734	9504762	13520287.34
Lithuania	10986490	15632367	6269691	8918479.374
Estonia	3647078	5189324.5	3023070	4300241.821
Other countries of Europe	99621161	141748142	91568206	130253493.6
USA	7596112	10808294	20374846	28982711.24
Russia	2328206	3312738.7	316043	449563.3001
Other third countries	10049680	14299406	15585781	22170385.49
Total	154295000	219542006	146642399	208595162.2

Production costs of sold produce
for 12 month of the year 2005

Costs	12 month of year 2005		12 month of year 2004	
	LVL	EUR	LVL	EUR
Materials	104391420	148535609	93955590	133649488
Salaries	9139380	13004166.2	8224680	11699403
Social deduction	2161710	3075836.22	1945360	2767226.2
Energy resources	11136909	15846393.9	7559810	10753642
Amortization	4610735	6560484.86	4432460	6305064
Other costs	5405929	7691943.98	7006112	9966019.9
Total	136846083	194714434	123124012	175140842

Sales costs

For the 12 month of year 2005

Costs	2005.y 12 month		2004.y.12.month	
	LVL	EUR	LVL	EUR
Wrapping materials	181827	258717	187807	267151
Fee for transport	897282	1276717	718537	1022101
Fee for ship freightage	1306118	1858438	150353	213873
Production reloading in port	1911966	2720483	1702906	2422341
Advertisement and others costs of marketing	55613	79130	55535	78997
Other sales costs	257513	366408	158118	224919
Costs involving with transactions of L/C and factoring	57319	81558	0	0
Insurance	9103	12952	1710	2432
		0		
Total	4676741	6654403	2974966	4231815