

Joint-Stock Company
"Liepājas metalurģs "
Reg.nr. 40003014197

FINANCIAL STATEMENT

For 3 month of the year 2006

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The results of economic activities of Joint-stock company “Liepajas metalurgs” on 1. quarter, 2006.

On first quarter of the year 2006 Joint-stock company “Liepajas metalurgs” made 169089 tons armature, it is 4887 tons more than on the same period in previous year.

Production costs in this year increased about 8,6%, but realization price level increased about 9,1%.

The results of production of this year are higher than they was on 1. quarter, 2005. Net turnover decreased for 4,5 million LVL and the profit decreased for 15,2 thousand LVL. Realized production on the 1. quarter, 2006 were about 27255 tons less than in the first three months of previous year which affected to net turnover and to profit of this year.

Joint-stock company “Liepajas metalurgs” make the production under concrete offers which are paid-up, but the buyer has not received the production (realization is organized under DAF conditions).

In company was in progress the building of new continuous casting machine complex and although in progress was the coordination of steel-melting projects. On 1. quarter, 2006 Joint-stock company “Liepajas metalurgs” invested 2,5 million LVL

Sincerely yours,

Benita Imbovica

Chief economist

Joint-stock company “Liepajas metalurgs”

PROFIT OR LOSS STATEMENT

FOR 3 MONTH OF THE YEAR 2006.

No.	Parameter designation	Line Code	At the end of the period of accountant LVL	At the end of the period of accountant EUR	At the beginning of the period of accountant LVL	At the beginning of the period of accountant EUR
1	2	3	4		5	6
1	Net turnover	010	35557149	50593265	40154750	57135062
2	Production costs for sold products	020	-29639084	-42172617	-34767031	-49469028
3	Gross profit or loss (from turnover)	030	5918065	8420648	5387719	7666033
4	Sales expenses	040	-1711310	-2434975	-943286	-1342175
5	Administration expenses	050	-2253064	-3205821	-1969111	-2801793
6	Other income from economic activities of the enterprise	060	706873	1005790	1761953	2507033
7	Other expenses from economic activities of the enterprise	070	-1588906	-2260810	-3044655	-4332154
8	Incomes from participation in affiliated enterprises	080	0	0	0	0
9	Incomes from securities and loans which formed long-term	090	0	0		0
10	Other income	100	44141	62807	50985	72545
11	Long-term financial investments and short-term securities value	110	0	0	0	0
12	Interest payments and similar expenses	120	-113382	-161328	-51259	-72935
13	Profit or loss prior to extraordinary items and taxes	130	1002417	1426311	1192346	1696556
14	Extra incomes	140	0	0	0	0
15	Extra expenses	150	-145139	-206514	-70125	-99779
16	Profit or loss prior to taxes	160	857278	1219797	1122221	1596777
17	Profit tax for review period	170	0	0	-300292	-427277
18	Other taxes	180	-109038	-155147	-58551	-83311
19	Review period profit or loss after taxes	190	748240	1064650	763378	1086189

Chairman of Board

V. Terentjev

JSC LIEPAJAS METALURGS

BALANCE SHEET

FOR 3 MONTH OF THE YEAR 2006.

ACTIVE	Line Code	2006.g. LVL	2006 EUR	2005.g. 3m LVL	2005.y.3 m 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				0
3.Other non-material investments	21	80717	114850	126767	180373
4.Non-material value of the enterprise	30		0		
5.Advance payments for non-material investments	40		0		
ITOTAL:	50	80717	114850	126767	180373
II.Capital assets			0		0
1.Land , buildings and constructions and long-term sites	60	29328556	41730776	25991947	36983209
2.Long-term investments in rented capital assets	70	25811	36726	13959	19862
3.Technological equipment and machines	80	20530034	29211607	11883376	16908521
4.Other capital assets and inventory	90	1734267	2467640	2015811	2868241
5.Capital assets formation and payments for uncompleted construction objects	100	2972724	4229805	5913806	8414588
6.Advance payments for capital assets	110	1355404	1928566	2489270	3541912
II.TOTAL:	120	55946796	79605119	48308169	68736332
III.Long-term financial investments			0		0
1.Participation in the capital of the related enterprises	130	4339626	6174732	4169284	5932357
2.Loans to the related enterprises	140	3582563	5097528	4472932	6364409
3.Participation in the affiliated enterprises capital	150	558343	794451	579281	824243
4.Loans to the affiliated enterprises	160		0		0
5.Other securities and investments	170		0		
6.Other loans	180	120614	171618	102634	146035
7.Own shares	190		0		0
8.Loans to joint owners of the enterprise and management	200		0		0
III.TOTAL:	210	8601146	12238328	9324131	13267043
Section 1 total amount:	220	64628659	91958297	57759067	82183748
2.CURRENT ASSETS			0		0
I.Stock(savings)			0		0
1.Raw materials, basic and auxiliary materials	230	9098016	12945310	6518214	9274583
2.Unfinished products,Work in Process	240	513551	730717	1429185	2033547
3.Finished products and goods for sales	250	12043336	17136123	9896705	14081743
4.Uncompleted orders	260	124	176	76	108
5.Advance payments for goods	270	2690814	3828683	693073	986154
6.Labour animals and productive animals	280		0		
ITOTAL:	290	24345841	34641011	18537253	26376135
II.Debtors			0		0
1.Buyers and Customers debts	300	6406682	9115887	1600909	2277888
2.Related enterprises debts	310	955390	1359397	337682	480478
3.Associated enterprises debts	320	42657	60695	32836	46721
4.Other debtors	330	2362827	3362000	2292907	3262513
5.Unpaid shares of the company capital	340		0		
6.Short-term loans to joint owners of the enterprise and management	350	400	569		
7.Future periods payments	360	73382	104413	44734	63651
II.TOTAL:	370	9841338	14002962	4309068	6131251
III.Securities and participation in capitals			0		0
1.Participation in the related enterprises capital	380		0		
2.Own shares	390		0		
3.Other securities and participation in capitals	400	0	0	3254	4630
III.TOTAL:	410		0		
IV.Funds		2398686	3413023	9886846	14067714
IV.TOTAL:	420	2398686	3413023	9886846	14067714

Section 2 total amount	430	36585865	52056996	32736421	46579731
BALANCE	440	101214524	144015293	90495488	128763479

PASSIVE	Line Code		0	2004 y. LVL	
1.OWNERS EQUITY			0		0
1.Share capital(fixed capital)	450	16981033	24161833	16981033	24161833
2.Share issue extra charge	460		0		
3.Long-term investments revaluation reserve	470	25976444	36961150	26705298	37998216
4.Reserves:a)reserves stipulated by law	480		0		
4.Reserves:b)reserves for own shares	490		0		
4.Reserves:c)reserves stipulated in the company Statutes	500	346579	493137	400603	570007
4.Reserves:d)other reserves	510	12145148	17280989	3788898	5391116
4.TOTAL:	520	12491727	17774126	4189501	5961123
5.Undistributed profit a)undistributed profit from the previous years	530	0	0	4471350	6362158
5.Undistributed profit b)undistributed profit of the review year	540	748240	1064650	763378	1086189
section 1. total amount:	550	56197444	79961759	53110560	75569519
2.SAVINGS		0	0		0
1.Savings for pensions and similar obligations	560				
2.Savings for anticipated taxes	570				
3.Other savings	580	2689122	3826276	5516055	7848639
section 2. total amount:	590	2689122	3826276	5516055	7848639
3.CREDITORS					0
I.Long-term debts.					
1.Loans against bonds(obligations)	600				
2.Loans convertible into shares	610				
3.Loans from credit institutions	620				0
4.Other loans	630			0	0
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.					0
1.Loans against bonds(obligations)	750				
2.Share revaluation loans	760				
3.Loans from credit institutions	770	15157035	21566518	4449026	6330394
4.Other loans	780	8209584	11681186	19807	28183
5.Advance payments received from buyers	790	294473	418997	683006	971830
6.Debts to suppliers and contractors	800	14308048	20358518	23354543	33230521
7.Retained liabilities	810	2337773	3326351	0	
8.Debts to related enterprises	820	332665	473340	146237	208077
9.Debts to associated enterprises	830	21533	30639	23406	33304
10.Taxes and social insurance payments	840	690508	982504	2337657	3326186
11.Other creditors	850	976339	1389205	733073	1043069
12.Future income	860			122118	173758
13.Review year dividends	870				
14.Unpaid dividends for previous years	880				
II.TOTAL:	890	42327958	60227258	31868873	45345321
Section 3. total amount:	900	42327958	60227258	31868873	45345321
B A L A N C E	910	101214524	144015293	90495488	128763479

Chairman of Board

V.Terentjev

STATEMENT OF CASH FLOW (LVL) BY DIRECT METHOD
for 3 Month of the year 2006

	Accounting period		2005 year	3 month
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Paid in by buyers and customers	35577520	50622250	35901476	51083198
Cash received from the other business activities	2636935	3752020	108089	153797
Paid infrom bugget value addet tax	1365962	1943589	2413936	3434721
Cash paid to suppliers and employees	-41141901	-58539651	-37238028	-52984940
<i>Cash received from the core business activity</i>	-1561484	-2221792	1185473	1686776
Paid interest	-113384	-161331	0.00	0
Paid enterprise's income tax	0	0	0.00	0
Paid other taxes	-1761110	-2505834	-1598319	-2274203
<i>Cash flow before extraordinary items</i>		0		0
Received insurance indemnity for flood damages		0		0
<i>Net cash flow business activity</i>	-3435978	-4888956	-412846	-587427
INVESTMENT CASH FLOW				
Acquisition of subsidiary company in net cash		0		0
Acquisition of fixed assets	-1562610	-2223394	-2701619	-3844058
Sale of fixed assets		0	201868	287232
Long-term credit for students of JSC "LM"	-1183	-1683	-1195	-1700
Participation in allied companies	-25000	-35572	0	0
<i>Net cash flow from investment operations</i>	-1588793	-2260649	-2500946	-3558526
FINANCING CASH FLOW				
Short term borrowings in value (credit line)	5848710	8321965	-148199	-210868
Long term borrowings		0		0
Paid liabilities for financial leasing		0		
Loans to affiliated companies		0	-20000	-28457
Repayment of loans and interests	199654	284082	191678	272733
Other investments (sponsorship)	-24783	-35263	-22491	-32002
<i>Net cash flow from financial activities</i>	6023581	8570784	988	1406
		0		
Result from foreign currenecy exchange fluctuations	3430	4880	-6359	-9048
Net growth of cashs and it's equivalent	1002240	1426059	-2919163	-4153595
Cash and it's equivalent at the beginning of accounting period	1396446.00	1986964	13623498.00	19384491
Cash and it's equivalent at the end of accounting period	2398686.00	3413023	10704335.00	15230897

Joint-Stock Company "Liepajas Metalurgs"

DEBTORS

DEBTORS	Amount as of 1.04.2006.		Amount as of 1.04.2005	
	LVL	EUR	LVL	EUR
Customers and affiliated companies debts	7404729	10535980	1971427	2805088
Incl. Debts of buyers and customers	6406682	9115887	1600909	2277888
Incl. Debts of the allied enterprises	955390	1359397	337682	480478
Incl. Debts of the associated enterprises	42657	60695	32836	46721
				0
Other debtors	2362827	3362000	2292907	3262513
Incl.VAT pretax from advance payments	44055	62685	113873	162027
Incl. Advance Settlements	24466	34812	20623	29344
Incl. VAT overpayments	1633135	2323742	1705184	2426258
Incl. Debt for caused damages to the enterprise	0	0	9663	13749
Incl. Various debtors	157408	223971	83102	118243
Incl. Overpaid salaries	256	364	386	549
Incl. Advance payment of enterprise income tax	450131	640479	271759	386678
Incl.security amounts in auction	53376	75947	55038	78312
Incl.otheroverpaid taxes	0	0	33279	47352
Short-term loans to employees	400	569	0	0
Future periods payments	73382	104413	44734	63651
Incl. Press expenses	7090	10088	5597	7964
Incl. Other	3646	5188	6254	8899
Incl. Property insurance	62646	89137	32883	46788
Total Debtors:	9841338	14002962	4309068	6131251

Joint-Stock Company "Liepajas Metalurgs"

DEBTS TO CREDITORS

CREDITORS	Amount as of 1.04.2006.		Amount as of 1.04.2005.	
	LVL	EUR	LVL	EUR
			0	
Short-term borrowing from credit institutions	501802	714000	0	0
Borrowings from credit institutions	7152303	10176810	4449026	6330394
	7502930	10675708		0
Short term debt to "Hanza leasing"	0	0	19807	28183
				0
Advance payments	294473	418997	683006	971830
				0
Other borrowing (factoring)	8209584	11681186		
		0		
Debts to suppliers and contractors	14308048	20358518	23354543	33230521
Incl. Materials and gas	3238889	4608524	2735286	3891961
Incl. Services	911076	1296344	1117835	1590536
Incl. Scrap, various services related to scrap delivery, processing	1958060	2786068	931763	1325779
Incl. Capital assets	160009	227672	157701	224388
Incl. Medical department creditors	2575	3664	6362	9052
Incl. Settlements with enterprises and other business partners - non-residents	7981734	11356984	18405596	26188804
Incl. Other Creditors	55705	79261	0	0
Debts to allied enterprises	332665	473340	146237	208077
				0
Debts to associated enterprises	21533	30639	23406	33304
		0		0
Accrued liabilities	2337773	3326351	0	0
Incl. Deferred tax	932333	1326590		
Incl. Accrued vacation payments	1405440	1999761		
Taxes and social insurance payments	690508	982504	2337657	3326186
Incl. State tax	723	1029	1002	1426
Incl. Residents' Income tax	324625	461900	266945	379829
Incl. Value added tax for the previous period	33	47	0	0
Incl. Social tax	342688	487601	280988	399810
Incl. Packing tax	495	704	0	0
Incl. Nature resources tax	21944	31223	11645	16569
Incl. Enterprise's Income tax	0	0	1777077	2528553
				0
Other creditors	976339	1389205	733073	1043069
Incl. Payments for salaries	948809	1350034	608498	865815
Incl. Deductions from salaries	27530	39172	124575	177254
				0
Future periods incomes	0	0	122118	173758
				0

Total Creditors:	42327958	60227258	31868873	45345321
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STATEMENT OF EQUITY CAPITAL CHANGES ,LVL

	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 of 31.12.2004(1.01.05)	16981033	26745272	346579	3679144	4308400	0	52060428
Profit in reserves				4308400	-4308400	0	0
Undistributed profit of the review period					4157604		4157604
Written-off revaluation reserve							
Increase of revaluation reserve		-671814					-671814
As of 31.12.2005	16981033	26073458	346579	7987544	4157604	0	55546218
Profit in reserves				4157604	-4157604		0
Undistributed profit of the review period					748240		748240
Increase of revaluation reserve							
Written-off revaluation reserve		-97014					
As of 31.03.06	16981033	25976444	346579	12145148	748240	0	56197444

STATEMENT OF EQUITY CAPITAL CHANGES , EUR

	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 of 01.01.2005	24155097	38044484	493000	5233491	6128592	0	74054664
Profit in reserves				6128592	-6128592	0	0
Undistributed profit of the review period					5915735		5915735
Exchange rate difference	6736	10609	137	3168			20650
Written-off revaluation reserve		-955905					-955905
Increase of revaluation reserve							
As at 31.12.2005	24161833	37099188	493137	11365251	5915735	0	79035144
Profit in reserves				5915735	-5915735		0
Undistributed profit of the review period					1064650		1875043
Increase of revaluation reserve							0
Exchange rate difference							
Written-off revaluation reserve		-138038					-138038
As of 31.03.2006	24161833	36961150	493137	17280986	1064650	0	79961756

**Net turnover by products
For the 3 month of year 2006**

Kind of production	2006.y.3 m		2005.y. 3 m	
	LVL	EUR	LVL	EUR
Rolled steel	33985676	48357260	37292282	53062137
Wire	644996	917747	1780735	2533758
Nails	259664	369469	359184	511073
Consumer goods	2248	3199	1993	2836
Castings	397092	565011	430619	612716
services	24079	34261	46618	66331
Sold steam, gCal	4398	6258	4225	6012
Medical department	164344	233840	116782	166166
Transport services	16774	23867	95435	135792
Flinders	57878	82353	26877	38243
TOTAL	35557149	50593265	40154750	57135062

Breakdown of net turnover by geographical markets
for 3 month of the year 2006

Market	2006 year	3 month	3 month of year 2005	
	LVL	EUR	LVL	EUR
Latvia	1999192	2844594	1659522	2361287
Lithuania	1105413	1572861	3151059	4483553
Estonia	1390868	1979027	451520	642455
European Community's countries	18904823	26899140	30362446	43201869
Russia	1316309	1872939	183214	260690
Other third countries	10840544	15424704	4346989	6185208
Total	35557149	50593265	40154750	57135062

Sales costs
For the 3 month of year 2006

Izmaksas	2006.y. 3 month		2005.g.3 month	
	LVL	EUR	LVL	EUR
Wrapping materials	38748	55133	46246	65802
Fee for transport	170890	243155	290189	412902
Fee for ship freightage	1098627	1563205	27022	38449
Production reloading in port	294917	419629	504037	717180
Advertisement and others costs of marketing	18301	26040	8164	11616
Other sales costs	54180	77091	67628	96226
Costs involved with transactions of L/C and factoring	35647	50721	0	
Kopā	1711310	2434975	943286	1342175

Management costs
for 3 months of the year 2006

Costs description	3 month of year 2006		3 month of year 2005	
	LVL	EUR	LVL	EUR
Salaries and social costs	1703913	2424450	1478140	2103204
Communication costs	29997	42681.89	26782	38107.35
Office supplies	247461	352105.3	288285	410192.6
Legal and auditing fees	72156	102668.7	14572	20734.09
Presentation costs	30382	43229.69	4568	6499.678
Wear and tear of fixed assets	114582	163035.5	99658	141800.6
Travel expenses	23329	33194.18	41179	58592.44
Management training	6371	9065.116	2799	3982.618
Costs for bank account services	24138	34345.28	11943	16993.36
Costs related to stockholders	735	1045.811	1185	1686.103
Total	2253064	3205821	1969111	2801793

Income from other business activities
For 3 months of the year 2006

Income	3 month of year 2006		3 month of year 2005	
	LVL	EUR	LVL	EUR
sale of current assets	280130	398589	550246	782930
transit transport	8750	12450	405155	576484
sale of fixed assets and liquidation	0	0	199584	283982
currency exchange income	272765	388110	164	233
incoming surcharges	7665	10906	413876	588892
incoming surcharges	7665	10906	970	1380
written-off revaluation reserve of fixed assets	97013	138037	39978	56884
past due debt recovery	5	7	14056	20000
other income from business activity	24482	34835	137924	196248
Total	690810	982934	1761953	2507033

Costs related to other business activities
for 3 month of the year 2006

Costs	3 month of year 2006		3 month of year 2005	
	LVL	EUR	LVL	EUR
Costs of current assets sale	255350	363330	499946	711359
Costs of transportation services	10243	14574	505563	719351
Costs related to fixed assets sale and liquidation	63771	90738	37217	52955
Costs of exchange rate decline	269591	383593	773096	1100017
Costs of reserve establishment	800000	1138297	1100000	1565159
Compensation of damage and other allowances	156139	222166	76005	108145
Other expenses	33597	47804	52828	75167
Total	1588691	2260504	3044655	4332154

Extraordinary costs (expenses uncommitted with economical activity)
for 3month of year 2006

Costs	3 month of year 2006		3 month of year 2005	
	LVL	EUR	LVL	EUR
Payed surcharges	52359	74500	21	30
Costs of sponsorship and other	89002	126638	66649	94833
Costs of infrastructure maintenance	3201	4555	3455	4916
Total	144562	205693	70125	99779