

Joint-Stock Company  
"Liepājas Metalurģs "  
Reg.Nr. 40003014197

## Annual Report

For 12 months of the year 2009

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19/1 Pulkveža Brieža street  
Rīga, LV-1010  
Latvia

## INDEPENDENT AUDITOR'S REPORT

To shareholders of "Liepājas Metalurgs" AS

### Report on the financial statement

We have performed the audit of the financial statement incorporated in the annual report of "Liepājas Metalurgs" AS, registration No.40003014197, for the year 2009. The audited financial statement comprises the balance sheet as of 31 December 2009, the profit or loss account for the year 2009, the report on the changes in equity, and the cash flow statement for the year ended December 31, 2009, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

### *Management responsibility on the presentation of the financial statement*

The management of "Liepājas Metalurgs" AS is responsible for drawing up of the financial statement and accuracy of the information contained in the said report presented pursuant to the International Financial Reporting Standards. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.



We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

*Opinion*

In our opinion, the financial statement presents fairly, in all material respects the financial position of the "Liepājas Metalurgs" AS as of December 31, 2009, and of the results of its financial performance and cash flows for the year 2009 in accordance with the International Financial Reporting Standards.

**Report on the conformity of the management report**

We have familiarised ourselves with the management report for the year 2009, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statement for the year 2009.

"BDO" JSC  
Certified auditors Commercial Company  
Licence No. 112

D.Tunsts  
International Liaison Partner



A.Putniņš  
The responsible certified auditor  
Certificate No.123

Rīga, Latvia  
April 28, 2010

### INFORMATION ABOUT THE COMPANY

1. Full name of the Company: Joint-Stock Company "Liepājas Metalurgs"
2. Legal status of the Company: Public Joint-Stock Company
3. Registration number of the State: 40003014197  
Registration, place, date: The Republic of Latvia Commercial Register, 07-Aug-2003
4. Taxpayer registration number: 40003014197
5. Legal address of the Company: Brīvības street 93, Liepāja LV-3401, LATVIA
6. Office address and phone number: Brīvības street 93, Liepāja LV-3401, LATVIA  
Phone: +371 634 55921
7. Type of business activity: Steel production
8. Year of account: 2009, 12 months
9. Director: Leons Ptičkins  
Position: Managing Director and a Member of the Board
10. Information on the major stockholders: The biggest stockholders are:  
Sergejs Zaharjins  
Proportion (%) of stocks (shares) 49%  
Ilja Segals  
Proportion (%) of stocks (shares) 21%  
Kirovs Lipmans  
Proportion (%) of stocks (shares) 20%
11. Council: Sergejs Zaharjins  
Aleksejs Zaharjins  
Kirovs Lipmans  
Māris Pomerancis  
Guntis Vilnītis  
Andris Deniņš
12. Members of the Board: Valērijs Terentjevs  
Ilja Segals  
Leons Ptičkins
13. The name of the bank, code, operating account number: AS SEB Unibanka  
Konta Nr.LV96UNLA 0012002467028
14. Chief Accountant: Ligita Bērzupe
15. Average number of employees: 2291

## **Joint-Stock Company "Liepājas Metalurgs"**

### **Management Statement Regarding the Financial Statements for 12 months of 2009.**

#### **Business type**

JSC "Liepājas Metalurgs" is the only steel production company in the Baltic region. The company did not change the nature of its business in 2009, and all production types worked consistently.

#### **Summary of business operations during the reporting period**

The JSC "Liepājas Metalurgs" met its targets in the year 2009. The Company's Net Turnover in the reporting year was 159.4 million LVL (EUR 227.8 mill.), which was 96.8 million LVL (EUR 137.7 mill.) more than in 2007. The net turnover decrease was primarily related to the fact that the sales price declined by 43%.

34.6% of the product was sold in European Union while 65.4% in the third countries.

The financial year finished with a 12.4 million LVL loss. The losses were affected by the very low level of the product sales price.

#### **Financial risk management**

The operations of JSC "Liepājas Metalurgs" are exposed to the financial risks – such as the foreign currency exchange rate and bank interest rate fluctuations.

The Company conducts a risk-averse politics assuring that any outstanding debt obligations are closed within the proper timeframe. As of the 31<sup>st</sup> of December 2009, the working capital exceeded short-term obligations by 31.7 million LVL (EUR 45.1 mill.).

The management of JSC "Liepājas Metalurgs" is of the opinion that there are sufficient cash resources available in order not to jeopardize the liquidity aspect of the Company.

#### **Year 2009 major event**

The year 2009 was marked with proactive efforts in the market research sector together with an aggressive work gaining the new customers.

The technical development of the Company during the reporting period was mainly consisting of the continued preparation work for the second phase of modernization.

The company invested in its operations 3.0 million LVL (EUR 4.3 mill) over the reporting period.

### **Upcoming developments and plans of JSC "Liepājas Metalurgs"**

We take a note that last year the European Commission (EC) agreed to allow the issuance of the State Guarantee in the amount of about € 89 mill. (LVL 62.55 mill) to secure the loan for the benefit of the JSC "Liepājas Metalurgs" with the purpose of modernization of its operations and development of infrastructure. These activities plan to start in the year of 2010.

Main activities conducted:

- Basic engineering;
- Tendering work with subcontractors;
- The completion of the construction site for the need of electric arc furnace and ladle furnace erection;
- Assurance of the construction materials availability and supply;
- Assurance of the continuous existing production flow simultaneously with the new construction work

### **Conditions and events occurred after the financial statements closure**

No important events occurred from the end of the reporting period to the day the Board of JSC "Liepājas Metalurgs" reviewed the Annual Report, which may have had an effect on the annual performance results or financial conditions of the Company.

Chairman of the Board \_\_\_\_\_ /V.Terentjevs/

Member of the Board \_\_\_\_\_ /I.Segals/

Member of the Board \_\_\_\_\_ /L.Ptičkins/

## **Statement Regarding the Management Responsibility.**

The JSC "Liepājas Metalurgs" (in this text – the Company) Council and Board are responsible for the preparation of the Company financial statement.

The Financial Statement represents the true picture for the Company financial position as of December 31, 2009 as well as the results of its operations and cash flow for the year 2009. The above-mentioned financial statements are prepared in accordance with the requirements of the International Accounting Standards for the financial statements, which are acceptable in the European Union. During the preparation of the financial statements the management:

- has been using and applying the appropriate accounting methods
- has been issuing justified and conservative conclusions and estimates
- has been adhering in accordance with the principle of the management's continuation

In the name of the JSC "Liepājas Metalurgs"

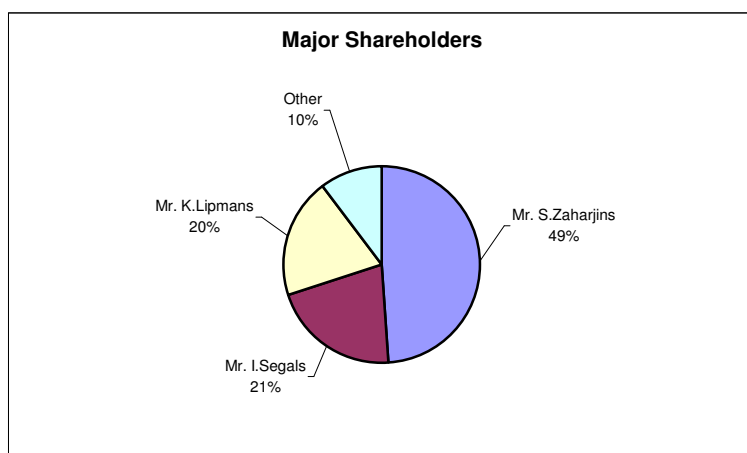
Chairman of the Board	_____	/V.Terentjevs/
Member of the Board	_____	/I.Segals/
Member of the Board	_____	/L.Ptičkins/



## SHARES AND SHAREHOLDERS

The Share (Fixed) Capital of the JSC "Liepājas Metalurgs" amounts to LVL 16 981 033,- (EUR 24 161 833).

The Share Capital consist of 16 981 033 shares, with a nominal value of LVL 1,00 per share (EUR 1,42 / share).



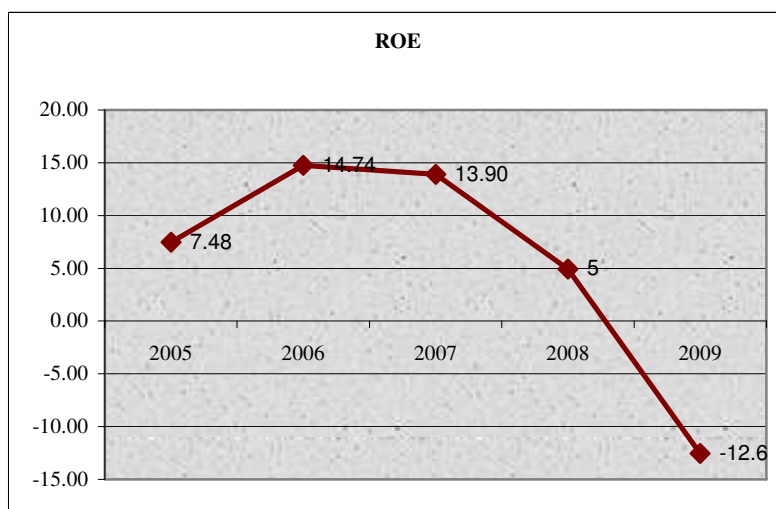
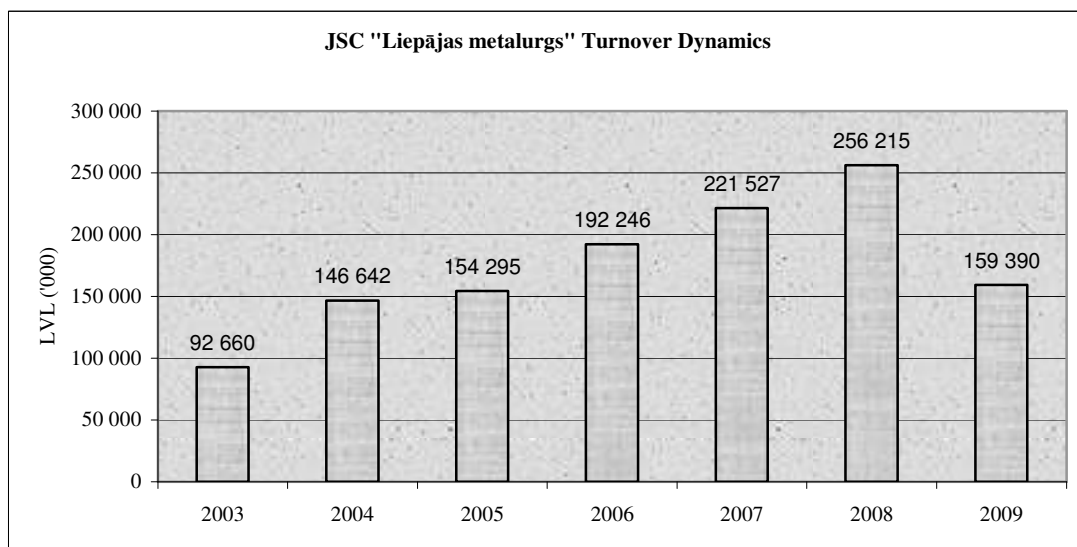
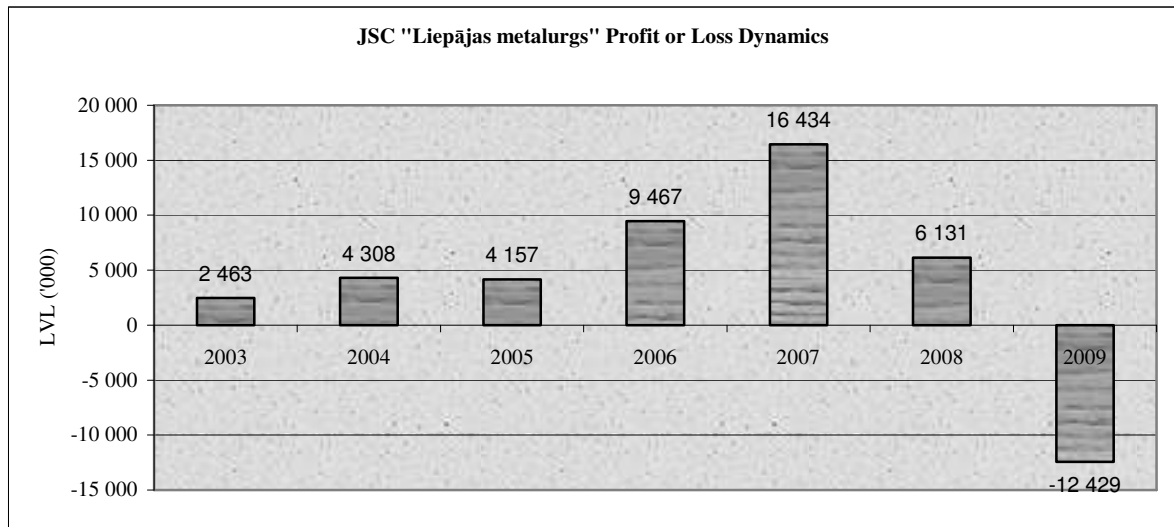
Market History of the Shares					
	2005	2006	2007	2008	2009
<b>Open Price (LVL)</b>	2.15	2.10	2.52	1.15	1.15
<b>Highest Price (LVL)</b>	2.95	2.61	4.45	4.08	1.90
<b>Lowest Price (LVL)</b>	1.74	1.55	2.06	1.00	0.70
<b>Average Price (LVL)</b>	2.31	1.94	3.24	2.06	0.92
<b>Ending Price (LVL)</b>	2.09	2.45	3.78	1.15	1.12
<b>Quantity of Shares</b>	613 179	660 761	701 512	220 418	462 795
<b>Turnover, LVL mio.</b>	1.41	1.28	2.27	0.46	0.44
<b>Capitalization, LVL mio.</b>	35.49	41.60	64.19	19.53	19.02

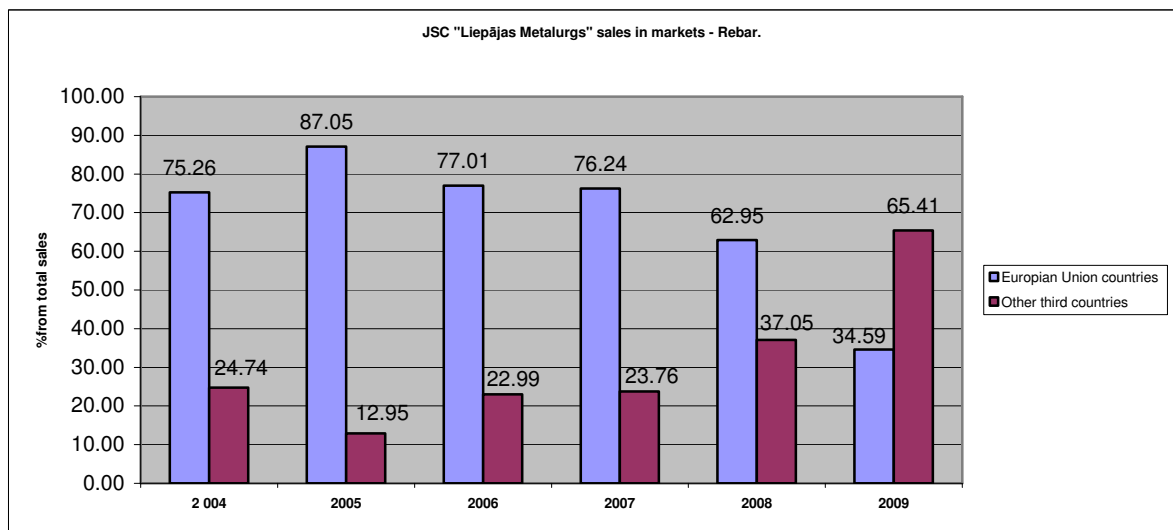
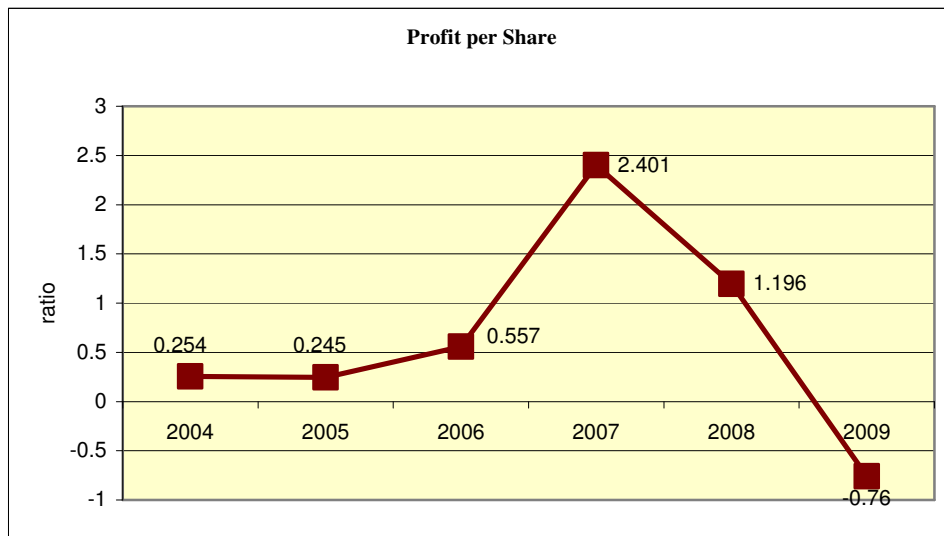
The official Bank of Latvia LVL to EUR exchange rate: 0,702804 (divide).

### JSC "Liepājas Metalurgs" share price development for the period 01.01.2009 – 31.12.2009



## FACTS AND NUMBERS





**BALANCE SHEET**

ASSETS	Enclosure Number	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
<b>I.LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Other intangible investments		60382	85915	81813	116409
2. Advance payments for intangible investments		0	0	0	0
<b>I. TOTAL:</b>		<b>60382</b>	<b>85915</b>	<b>81813</b>	<b>116409</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions and long-term sites		50681702	72113565	51280868	72966102
2. Long-term investments in rented fixed assets		0	0	0	0
3. Technological equipment and machinery		29103776	41410942	31276949	44503089
4. Other fixed assets and inventory		2329471	3314539	2948170	4194868
5. Fixed assets formation and costs of unfinished construction sites		651212	926592	537472	764754
6. Advance payments for fixed assets		371389	528439	112262	159734
<b>II. TOTAL:</b>		<b>83137550</b>	<b>118294075</b>	<b>86155721</b>	<b>122588547</b>
<b>III. Investment properties</b>					
1. Investment properties		<b>5009000</b>	<b>7127165</b>	<b>4815333</b>	<b>6851602</b>
<b>IV. Long-term financial investments</b>					
1. Share in the related companies (subsidiaries)		9069006	12904033	9069006	12904033
2. Loans to the related companies (subsidiaries)		41260	58708	41913	59637
3. Share in the capital of associated companies		649843	924644	649843	924643
4. Other loans		0	0	167000	237620
<b>IV. TOTAL:</b>	<b>1</b>	<b>9760109</b>	<b>13887384</b>	<b>9927762</b>	<b>14125933</b>
<b>Section 1 total amount:</b>		<b>97967041</b>	<b>139394541</b>	<b>100980629</b>	<b>143682491</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		10983249	15627755	12372086	17603892
2. Unfinished products, Work-in-Process		1514799	2155365	3033039	4315626
3. Finished products and goods for sales		9996549	14223808	22004983	31310270
4. Incompleted orders		130419	185569	5586	7948
5. Advance payments for goods		2207495	3140983	1121062	1595128
<b>I. TOTAL:</b>		<b>24832511</b>	<b>35333481</b>	<b>38536757</b>	<b>54832865</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		1109728	1579001	9695174	13794990
2. Debt of related companies (subsidiaries)		207711	295545	209192	297653
3. Debt of associated enterprises		25746	36634	35666	50748
4. Other debtors (accounts receivable)		4234623	6025326	4501274	6404736
5.Short-term loans		0	0	0	0
6. Prepaid expenses		96988	138002	100884	143545
<b>II. TOTAL:</b>	<b>2</b>	<b>5674796</b>	<b>8074506</b>	<b>14542189</b>	<b>20691671</b>
<b>III. Short-term financial investments</b>					
<b>III. TOTAL:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Cash</b>		4734626	6736767	2589626	3684706
<b>IV. TOTAL:</b>		<b>4734626</b>	<b>6736767</b>	<b>2589626</b>	<b>3684705</b>
<b>Section 2 total amount</b>		<b>35241933</b>	<b>50144754</b>	<b>55668571</b>	<b>79209241</b>
<b>TOTAL ASSETS</b>		<b>133208974</b>	<b>189539294</b>	<b>156649200</b>	<b>222891731</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
<b>1. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		<b>16981033</b>	<b>24161833</b>	<b>16981033</b>	<b>24161833</b>
2. Long-term investments revaluation reserve		<b>49907552</b>	<b>71012048</b>	<b>63016797</b>	<b>89664824</b>
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		44524829	63353124	38393389	54628871
<b>3. TOTAL:</b>		<b>44524829</b>	<b>63353124</b>	<b>38393389</b>	<b>54628871</b>
4. Retained earnings a) undistributed profit from the previous years		0	0	0	0
4. Retained earnings b) undistributed profit of the reporting year		-12429483	-17685560	6131440	8724253
section 1 total amount:		<b>98983931</b>	<b>140841446</b>	<b>124522658</b>	<b>177179781</b>
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		1321598	1880465	0	0
2. Other provisions		830000	1180984	1831600	2606132
section 2 total amount:	<b>3</b>	<b>2151598</b>	<b>3061448</b>	<b>1831600</b>	<b>2606132</b>
<b>3. LIABILITIES (Accounts Payable)</b>					
<b>I. Long-term Creditors (Accounts Payable).</b>					
<b>I. TOTAL:</b>					
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		14002621	19923935	13563414	19298999
2. Other loans		348986	496562	3069151	4367008
3. Advance payments received from customers		8043459	11444811	2479285	3527705
4. Suppliers and contractors trade account payable		8073220	11487157	8976687	12772675
5. Accrued liabilities (Payable bills of exchange)		77141	109762	209416	297972
6. Payable (debt) to related companies (subsidiaries)		91741	130536	84050	119592
7. Payable (debt) to associated companies		25886	36832	0	0
8. Taxes and state social insurance payments		647166	920834	873847	1243372
9. Other liabilities		763225	1085971	1039093	1478496
<b>II. TOTAL:</b>		<b>32073445</b>	<b>45636401</b>	<b>30294942</b>	<b>43105818</b>
Section 3 total amount:	<b>4</b>	<b>32073445</b>	<b>45636401</b>	<b>30294942</b>	<b>43105818</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>133208974</b>	<b>189539294</b>	<b>156649200</b>	<b>222891731</b>

Chairman of the Board \_\_\_\_\_

/V.Terentjevs/

Member of the Board \_\_\_\_\_

/I.Segals/

Member of the Board \_\_\_\_\_

/L.Ptičkins/

**PROFIT AND LOSS STATEMENT**

No.	Parameter designation	Enclosure Number	At the end of the report period LVL	At the end of the report period EUR	12 months 2008 LVL	12 months 2008 EUR
1	2	3	4	5	6	7
1	Net turnover	5,6	159390566	226792343	256215399	364561669
2	Production costs of goods sold	7	-158513014	-225543699	-233252118	-331887863
3	Gross profit or loss (from turnover)		877552	1248645	22963281	32673805
4	Sales costs	8	-9206803	-13100100	-6887169	-9799559
5	Administration costs	9	-4553521	-6479077	-7391405	-10517022
6	Other operating income	10	6849284	9745653	4162195	5922270
7	Other operating costs	11	-4265826	-6069723	-5055420	-7193215
8	Income from participation in capital of associated companies and subsidiaries	13	123674	175972	0	0
9	Interest income and other similar income	12	180069	256215	196093	279015
10	Interest payments and similar expenses		-695749	-989962	-384738	-547433
11	Profit or loss before extraordinary items and taxes		-10691320	-15212377	7602837	10817862
12	Profit or loss before taxes		-10691320	-15212377	7602837	10817862
13	Income tax for the reporting period		0	0	-1567447	-2230276
14	Deferred tax		-1488598	-2118084	315242	448549
15	Other taxes		-249565	-355099	-219192	-311882
16	Reporting period profit or loss after taxes		-12429483	-17685560	6131440	8724253

The JSC "Liepājas Metalurgs" demonstrated a loss at the rate of -0.76 per share.

In the Financial Statements the LVL amounts were converted into EUR by applying the Bank of Latvia exchange rate at EUR 0.702804.

Chairman of the Board \_\_\_\_\_ /V.Terentjevs/  
 Member of the Board \_\_\_\_\_ /I.Segals/  
 Member of the Board \_\_\_\_\_ /L.Ptičkins/

**CASH FLOW STATEMENT**  
**(by direct method)**

	Reporting period		12 months 2008	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	146143599	207943607	260091570	370076963
Cash received from other business activities	531379	756084	719353	1023547
VAT overpayment received	12664368	18019772	12613655	17947614
Bank interest received	181715	258557	384738	547433
Cash paid to suppliers and employees	-179871431	-255933989	-255532664	-363590224
<b>Cash received from the core business activity</b>	<b>-20350370</b>	<b>-28955968</b>	<b>18276652</b>	<b>26005333</b>
Interest payment	-717320	-1020654	-416966	-593289
Corporate income tax payment	-252995	-359979	-6322	-8995
Other tax payments	-7097471	-10098791	-14756157	-20996120
<b>Net cash flow from the core business activity</b>	<b>-28418157</b>	<b>-40435395</b>	<b>3097207</b>	<b>4406929</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of fixed assets and intangible assets	-525505	-747726	-3386706	-4818848
Sale of fixed assets and intangible assets	1600	2277	5027	7153
Investments in related or associated companies	0	0	-72100	-102589
Repayment of loans	123674	175972	0	0
<b>Net cash flow from investment operations</b>	<b>-400231</b>	<b>-569477</b>	<b>-3453779</b>	<b>-4914285</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short-term borrowings in net value (credit line)	32269415	45915241	2638326	3754000
Related companies (subsidiaries) loans (and interests) repayment	2197	3126	23717	33746
Costs not associated with the operating activities	-1129502	-1607137	-2331403	-3317288
<b>Net cash flow from financial activities</b>	<b>31142110</b>	<b>44311230</b>	<b>330640</b>	<b>470458</b>
Result of foreign currency exchange rate fluctuations	-178722	-254298	-101455	-144357
<b>Net growth of cash and its equivalents</b>	<b>2145000</b>	<b>3052060</b>	<b>-127387</b>	<b>-181255</b>
Cash and its equivalents at the beginning of accounting period	2589626	3684705	2717013	3865961
<b>Cash and its equivalents at the end of accounting period</b>	<b>4734626</b>	<b>6736767</b>	<b>2589626</b>	<b>3684705</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Revaluation reserve of long-term investments	Reserves stated by Statute	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous year	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2007.</b>	<b>16981033</b>	<b>63409841</b>	<b>0</b>	<b>21959004</b>	<b>16434384</b>	<b>0</b>	<b>118784262</b>
Previous year profit put in reserves				16434385	-16434385		0
Undistributed profit of the reporting period					6131440		<b>6131440</b>
Reserves distribution							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-393044					<b>-393044</b>
<b>As of 31.12.2008.</b>	<b>16981033</b>	<b>63016797</b>	<b>0</b>	<b>38393389</b>	<b>6131439</b>	<b>0</b>	<b>124522658</b>
Previous year profit put in reserves				6131440	-6131440	0	0
Undistributed profit of the reporting period					-12429483		<b>-12429483</b>
Increase of fixed capital							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-13109245					<b>-13109245</b>
<b>As of 31.12.2009.</b>	<b>16981033</b>	<b>49907552</b>	<b>0</b>	<b>44524829</b>	<b>-12429483</b>	<b>0</b>	<b>98983931</b>



	Share capital	Revaluation reserve of long term investments	Reserves stated by Statute	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2007.</b>	<b>24161833</b>	<b>90224075</b>	<b>0</b>	<b>31244848</b>	<b>23384022</b>	<b>0</b>	<b>169014778</b>
Previous year profit put in reserves				23384023	-23384023		0
Undistributed profit of the reporting period					8724253		8724253
Reserves distribution		0					0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-559251					-559251
<b>As of 31.12.2008.</b>	<b>24161833</b>	<b>89664824</b>	<b>0</b>	<b>54628871</b>	<b>8724253</b>	<b>0</b>	<b>177179780</b>
Previous year profit put in reserves				8724253	-8724253	0	0
Undistributed profit of the reporting period					-17685561		-17685561
Increase of fixed capital							0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-18652776					-18652776
<b>As of 31.12.2009.</b>	<b>24161833</b>	<b>71012048</b>	<b>0</b>	<b>63353124</b>	<b>-17685561</b>	<b>0</b>	<b>140841444</b>

### FIXED ASSETS MOVEMENTS DESCRIPTION

LVL

	Intangible Investments	Land, Buildings and Constructions	Long-Term Investments	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	Advance Payments for intangible Investments	TOTAL LVL
Beginning value									
<b>31.12.2008.</b>	<b>304986</b>	<b>53802359</b>	<b>0</b>	<b>39491007</b>	<b>3676896</b>	<b>537472</b>	<b>112262</b>	<b>0</b>	<b>97924982</b>
Acquired in 2009	3142	90729	0	2895439	10112	3135115	369287	428	<b>6504252</b>
Turned into usage	0	0	0	0	0	-3021375	-110160	-428	<b>-3131963</b>
Written-off	0	-11295	0	-96478	-19350	0	0	0	<b>-127123</b>
<b>on 31.12.2009.</b>	<b>308128</b>	<b>53881793</b>	<b>0</b>	<b>42289968</b>	<b>3667658</b>	<b>651212</b>	<b>371389</b>	<b>0</b>	<b>101170148</b>
Depreciation									
<b>31.12.2008.</b>	<b>223173</b>	<b>2521490</b>	<b>0</b>	<b>8214058</b>	<b>728726</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11687447</b>
Calculated depreciation	24573	682405	0	5044200	619984	0	0	0	<b>6371162</b>
Moved over written-off depreciation	0	-3804	0	-72066	-10523	0	0	0	<b>-86393</b>
<b>On 31.12.2009.</b>	<b>247746</b>	<b>3200091</b>	<b>0</b>	<b>13186192</b>	<b>1338187</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17972216</b>
Balance Value									
<b>31.12.2008.</b>	<b>81813</b>	<b>51280869</b>	<b>0</b>	<b>31276949</b>	<b>2948170</b>	<b>537472</b>	<b>112262</b>	<b>0</b>	<b>86237535</b>
Balance Value									
<b>31.12.2009.</b>	<b>60382</b>	<b>50681702</b>	<b>0</b>	<b>29103776</b>	<b>2329471</b>	<b>651212</b>	<b>371389</b>	<b>0</b>	<b>83197932</b>

### Investment properties (LVL)

<b>On 31.12.2008.</b>	<b>4815333</b>
Moved from Fixed Assets	379435
Revaluated profit or loss	-185768
<b>Balance on 31.12.2009.</b>	<b>5009000</b>

The cadastral value of the JSC "Liepājas Metalurgs" real estate in 2009 was:

- Land: LVL **13234001,-**
- Buildings: LVL **18935317,-**

**EUR**

	Intangible Investments	Land, Buildings and Constructions	Long-Term Investments	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	Advance Payments for intangible Investments	TOTAL EUR
Beginning value									
31.12.2008.	433956	76553860	0	56190641	5231752	764754	159734	0	139334696
Acquired in 2008.	4471	129096	0	4119839	14388	4460867	525448	609	9254717
Turned into usage	0	0	0	0	0	-4299029.32	-156743.6	-609	-4456382
Written-off	0	-16071	0	-137276	-27533	0	0	0	-180880
on 31.12.2009.	438427	76666884	0	60173203	5218607	926591	528439	0	143952152
Depreciation									
31.12.2008.	317547	3587757	0	11687552	1036884	0	0	0	16629739
Calculated depreciation	34964	970975	0	7177250	882158	0	0	0	9065347
Written-off depreciation	0	-5413	0	-102541	-14973	0	0	0	-122926
On 31.12.2009.	352511	4553319	0	18762261	1904069	0	0	0	25572160
Balance Value									
31.12.2008.	116409	72966103	0	44503089	4194868	764754	159734	0	122704958
Balance Value									
31.12.2009.	85916	72113565	0	41410942	3314539	926592	528439	0	118379992

**Investment properties, (EUR)**

<b>On 31.12.2008.</b>	<b>6851602</b>
Moved from Fixed Assets	539887
Revaluated profit or loss	-264324
<b>Balance on 31.12.2009.</b>	<b>7127165</b>

The cadastral value of the JSC "Liepājas Metalurgs" real estate in 2009 was:

- Land: EUR 18830286,97,-
- Buildings: EUR 26942528,79,-

## **ENCLOSURES TO THE ANNUAL REPORT ACCOUNTING POLICY**

### **Basis for Preparation of the Annual Report**

The Annual Report is prepared in accordance with the law "On Accounting" and "On Annual Report", as well as with the Latvian Accounting Standards (LAS): 1. LAS, "Financial Statements Preparation Principles", 2. LAS, "Cash Flow Statement", 3. LAS, "Events After the Balance Sheet Date", 4. LAS "Changes in Accounting Policies, Amendments in Accounting Estimates and Prior Period Errors", 5. LAS "Long-term Agreements", 6. LAS "Income", 7. LAS "Fixed Assets", 8. LAS "Provisions, Potential Liabilities and Assets", 9. LAS "Investment Properties", and is also in compliance with the European Union (EU) International Standards on preparation of the Financial Statements. Profit and Loss Statement is prepared using the turnover method. The Cash Flow Statement has been presented, by establishing the cash flow from the core activity by the direct method. As compared to the previous reporting year, the Company's methods used for reporting and valuation have not changed.

### **Accounting Principles Applied**

The items of the Annual Report are evaluated by applying the following accounting principles:

- a) The assumption that the Company will continue its operations as a going concern;
- b) By applying the same valuation methods that were used in the previous year;
- c) The concept of prudence, which implies that valuation of items has been performed with due caution:
  - The Annual Report reflects only the profit earned by the closing date of the Balance;
  - The Report has been presented, taking into account all predictable risk amounts and losses incurred in the reporting year or in the previous years, also where they have become known in the period of time between the date of drawing up the Balance and the respective Annual Report;
  - All amounts that reduce the value, as well as depreciation amounts have been calculated and taken into account, irrespective of whether the reporting year has been completed with profit or losses;
- d) Revenues and expenditures related to the reporting year have been taken into account, irrespective of the date on which the payment was effected and the date of the receipt or drawing of the invoice. The expenditures are coordinated with revenues in the reporting period;
- e) Breakdowns of the Assets and Liabilities items have been calculated separately;
- f) Elements of the opening balance sheet items in the accounting year coincide with those presented in the closing balance of the previous year;
- g) All items, which could essentially affect the assessment or decision-making by the users of this Annual Report, have been presented;
- h) Business transactions in the Annual Report are reflected taking into account their economic nature and essence, not their legal form.

### **Use of Estimates**

In the preparation of the Financial Statements, the management is obliged to base its opinion on definite estimates and assumptions, which impact the balances of the Balance Sheet and Profit and Loss Account items in the particular statements as well as the possible amount of liabilities. Future events can affect assumptions, based on which the respective estimates are

made. Any impact of changes of estimates is reflected in the financial statement at the date when they are identified.

### **Recognition of Income and Net Turnover (Revenue)**

Net turnover is the total sum of the value of goods sold and of the services rendered during the year net of discounts and value added tax.

Other income is recognized as follows:

- a) Income from rent/lease – on the date it is created;
- b) Income from fines and late payments – at the date of the receipt;

### **Long-Term Intangible Assets and Fixed (Capital) Assets**

Intangible assets and fixed assets are recorded at historical cost or revalue amount net of accumulated depreciation and accumulated impairment losses. Joint-Stock Company capitalizes Fixed Assets, which have a value not greater than 500 LVL. These fixed assets are recorded as low value assets. The gradual depreciation/amortization application is not necessary or useful in this case, since it is immaterial in relation to the operating activity performance results. Those costs associated with low value assets are reflected in the Profit and Loss statement. At the moment of acquisition, such assets are not accounted for in the balance sheet.

Land depreciation is not calculated. Depreciation is calculated at the time of useful life of a particular asset, by using the straight-line method and applying the following depreciation rates fixed by the management:

	2008	2009
Intangible assets		
Licenses and computer software	20 %	20 %
Fixed (Capital) Assets:		
Buildings and Structures	5 %	1.5-2 %
Technological Equipment and Machinery operated in harsh working environment or at the maximum load level	35 %	25 %
Transportation Vehicles and Equipment	20 %	20 %
Computers and Data Storage Equipment	35 %	35 %
Other Fixed Assets	30 %	20 %

Intangible assets consist of licences and computer software, which were achieved against pay. The value of intangible assets is amortized by depreciation.

As a result of this revaluation the value increase was recorded, which is shown in the Shareholders Equity item called “Long-Term Assets Revaluation Reserve”. The Financial Statements record the revaluation based on the market valuation methods, i.e. the accumulated depreciation is liquidated as of the revaluation date and a defined value is accepted as its new report value.

Expenditures for current repairs and maintenance are incorporated in the Profit and Loss Statement for the period, in which they are incurred.

### **Construction in progress**

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Profit or loss from exclusion of fixed assets are calculated as a difference between book value of fixed assets and income gained as a result of their sale, and income from the

respective fixed asset revaluation reserve write-off, and are included in the Profit and Loss Statement for the period in which it was created.

The real estate of the Company located in str.Brivibas 3/7, str.Brivibas 93, str.Brivibas 93<sup>a</sup>, str.Brivibas 95<sup>a</sup>, str.Brivibas 95<sup>b</sup>, str.Brivibas 97<sup>a</sup> and str.Brivibas 99<sup>a</sup> are as credit line security for the bank.

### **Investment Properties**

Investment properties refer to land and buildings kept by the company in order to receive rent from the lease of these property sites, as well as gain income resulting from an increase of value of the said real estate, instead of using it for industrial purposes, supply of goods or services, administrative functions or sale as part of daily business transactions.

Investment properties are initially valued at their cost value, including the cost of the respective transaction. After their initial recognition, investment properties are evaluated in their actual value, which corresponds to the current price of a similar property in similar location and condition and with similar lease contract terms. In cases, when such information is not available, the most recent possible prices in a less active market are used or current value for anticipated cash flow in the future is calculated, which is substantiated with the effective lease contracts and rates of rent for similar properties in the market. Actual value of property is established by a certified real estate appraiser from "BDO".

Beginning from year 2006, profit or losses from adjustments of actual value of investment properties are reflected in the Profit and Loss Statement. Prior to year 2006, the changes in actual value of fixed assets were reflected in the long-term assets revaluation reserve under owner's equity.

The real estate which is being constructed and developed to use it as investment property is stated at historical cost and included in fixed assets as fixed assets under construction as long as it is not completed and put into operation as investment property.

### **Investments in Subsidiaries and Associated Companies**

Investments in subsidiaries (i.e., in companies, in which the Company is holding more than 50% of share capital or which it is controlling in some other way) and associated companies (i.e., companies, in which the Company exercises significant influence but does not hold the controlling interest, in which it has a 20-50% stake of share capital) are entered in accounts by applying the cost method. After initial recognition, investments in subsidiaries and associated companies are entered in accounts in their initial value, less the losses due to reduction of value. The Company recognizes the revenues from its holding in equity only to the extent to which the Company receives the share of accumulated profit of the subsidiary or associated company, which is gained after the date of acquisition of capital shares/parts.

The Company investments in related companies were LVL 9069006,- (EUR 12904033,-) and in associated companies were LVL 649843,- (EUR 924643,-).

### **Changes in Accounting Policy**

The Company's accounting policy and valuation methods have not been changed.

### **Currency Unit and Conversion of Foreign Currency**

Values presented in these financial statements are expressed in the Latvian national currency – lats (LVL).

All transactions in foreign currencies are converted into LVL according to the official currency rate fixed by the Bank of Latvia on the date the particular transaction is performed. Assets and liabilities expressed in foreign currencies are converted into LVL according to the

currency rate fixed by the Bank of Latvia on the last date of the accounting period. Profit or losses due to foreign currency rate fluctuations are reflected in the Profit and Loss account for the respective accounting period in net value.

	<b>31.12.2009.</b>	<b>31.12.2008.</b>
USD	0.489	0.495
EUR	0.702804	0.702804

### **Cash and Its Equivalents**

The Cash Flow Statement reflects cash and cash equivalents in the cash office, current bank account balances and short-term deposits. The Cash Flow Statement is prepared by using the direct method.

### **Long-Term and Short-Term Items**

Long-term items incorporate amounts with a term of receipt, payment or write-off longer than one year since the end of the respective accounting year. The amounts to be received, paid or written off within one year's time are presented in short-term items.

### **Capitalization of Loan Payments and Other Payments**

The value of incomplete construction sites is increased by the loan interest used for the formation of fixed assets and other direct costs incurred with regard to the particular construction site until putting the newly constructed object into use. Initial value of the respective fixed asset is not increased by the loan interest used for the formation of fixed assets in the periods, in which active development work on the unfinished construction site is not performed.

### **Accounts Receivable**

Accounts receivable are presented in the balance sheet in their net value, by deducting specific provisions for bad and doubtful debts from initial value. Specific provisions for bad and doubtful debts are formed in cases when the management considers that recovery of these specifically separated accounts receivable is unlikely. On a conservative basis, only the actual account receivable debt is presented in the Balance Sheet. The Accounts Receivable balances are recorded based on the corresponding entries in the accounting registers.

### **Financial Leasing**

The Company does not practice financial leasing. JSC "Liepājas Metalurgs" uses such forms of short-term financing as factoring. The commercial contracts often have payment terms up to 90 days. The bank acts as an intermediary between the supplier and buyer by purchasing wire-invoices from the supplier and inquiring corresponding payments from the buyer. The Company operates under a recourse factoring agreement, where the Company is held responsible in front of the bank in such cases when the buyer fails to deliver the payment.

### **Creditor Obligations**

Creditor Obligations are reflected in the costs and comply with proper documentation and entries in the accounting registers. Short-term creditors include those with payment terms within a 12-month period after the end of the reporting period.

Credited advance payment is presented as loans (other loans).

### **Research and Development Costs**

Research costs are recognized in the Profit and Loss Statement for the period in which they were incurred. Development costs related to sale or development of an asset for own needs are capitalised in the balance sheet under intangible assets, which are recognized only in that case when the Company can prove that the completion of this intangible assets is technically possible in a way to enable its further sale or use to produce business benefits.

### **Evaluation of Stock**

Stock is evaluated by using the weighted average cost method. First-in-first-out (FIFO) method is used in the inventory accounting. Obsolete, slow-turnover or damaged stock is written-off. Inventories in the shops are written-off based on the production average costs. The stock inventory amount is checked during an annual cycle count.

Finished goods, work-in-process and service balances are reflected in the costs.

### **Provisions for Unused Vacations**

Reserves for unused vacations are established by taking a fraction of 1/12 from the next year anticipated wages expenses from the approved wage reserve in the 2009 budget of the Joint-Stock Company.

### **Corporate Income Tax**

Corporate income tax in the reporting period includes current and deferred taxes. The corporate income tax has been stated in the Profit or Loss Statement.

Corporate income tax for the reporting period has been calculated in accordance with the requirements of the law of the Republic of Latvia "On corporate income tax", applying a 15% rate fixed by the law.

### **Deferred tax**

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The temporary differences are related with the differences in the depreciation rates of reporting and tax depreciation and amortization on the Company's non-current assets, as well as with accruals for unused annual leave and with tax losses carried forward. The deferred tax was calculated by applying a 15% tax rate fixed by the law.

### **Reclassification of Items**

The classification of items information and presentation in the financial reports of 2009 was not changed in comparison to the year 2008.

### **Events After the Balance Sheet Date**

There have been no events since the closing date of the Balance Sheet which could materially impact the financial condition of the company.

### **Number of Employees**

The average number of LM employees in 2009 was 2291.

### **Council and Board Compensation**

The compensation to the Council Members in:	2009 was LVL 228060 (EUR 324500)
	2008 was LVL 228060 (EUR 324500)

### **Compensation to the licensed auditor**

In 2009, for its commercial operation concerning the audit of the Annual Report, "BDO" received 32468,40 LVL, and for other assignments it received 20272,16 LVL.



## ENCLOSURES TO BALANCE SHEET

### 1. INVESTMENT CHANGES

#### Long-Term Financial Investments (LVL)

Company Name, Address, Registration Number	Ownership in % and LVL	
	31.12.2009.	31.12.2008.
<b>Related Companies (Subsidiaries)</b>		
LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	95.17% 7749206	95.17% 7749206
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	95% 1900	95% 1900
"Ice-hall "Liepājas metalurgs"", Ltd. Brīvības iela 93, Liepāja; 40003421648	95% 1900	95% 1900
"Rūķis LM", Ltd. Brīvības iela 93, Liepāja; 42103038147	100% 1316000	100% 1316000
<b>Total Investments in Related Companies, LVL</b>	<b>9069006</b>	<b>9069006</b>
<b>Associated Companies</b>		
"Elme Messer Metalurgs", Ltd. LSEZ Brīvības iela 93, Liepāja; 40003461570	49% 432343	49% 432343
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	50% 13000	50% 13000
JSC "Sātiņi LM", Brīvības iela 93, Liepāja; 42103037207	50% 84500	50% 84500
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50% 120000	50% 120000
<b>Total Investments in Associated Companies, LVL</b>	<b>649843</b>	<b>649843</b>

#### Long-Term Financial Investments: Year 2009 Movement Report (LVL)

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 31.12.2008.	9069006	649843	41913
Invested (loans provided)			
Written off (Repaid loans)			-653
Moved to another item (or written-off )			
Accumulated saving			
The balance on 31.12.2009.	9069006	649843	41260

**Long-Term Financial Investments (EUR)**

Company Name, Address, Registration Number	Ownership in % and EUR	
	31.12.2009.	31.12.2008.
<b>Related Companies (Subsidiaries)</b>		
LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	95.17% 11026127	95.17% 11026127
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	95% 2703	95% 2703
"Ice-hall "Liepājas metalurgs"", Ltd. Brīvības iela 93, Liepāja; 40003421648	95% 2703	95% 2703
"Rūķis LM", Ltd. Brīvības iela 93, Liepāja; 42103038147	100% 1872499	100% 1872499
<b>Total Investments in Related Companies, EUR</b>	<b>12904033</b>	<b>12904033</b>
<b>Associated Companies</b>		
"Elme Messer Metalurgs", Ltd. LSEZ Brīvības iela 93, Liepāja; 40003461570	49% 615169	49% 615169
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	50% 18497	50% 18497
JSC "Sātiņi LM" Brīvības iela 93, Liepāja; 42103037207	50% 120233	50% 120233
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50% 170745	50% 170745
<b>Total Investments in Associated Companies, EUR</b>	<b>924644</b>	<b>924644</b>

**Long-Term Financial Investments: Year 2009 Movement Report (EUR)**

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 31.12.2008.	12904033	924644	59637
Invested (loans provided)			
Written off (Repaid loans)			-929
Moved to another item (or written-off )			
Accumulated saving			
The balance on 31.12.2009.	12904033	924644	58708

**2. ACCOUNTS RECEIVABLE (DEBTORS)**

DEBTORS	As of 31.12.2009.		As of 31.12.2008.	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies debts</b>	<b>1343186</b>	<b>1911181</b>	<b>9940032</b>	<b>14143391</b>
Incl. Debts of buyers and customers	760743	1082440	7174786	10208801
Incl. Debts of buyers with factoring activities	348986	496562	2520388	3586189
Incl. Debts of related companies (subsidiaries)	207711	295546	209192	297653
Incl. Debts of associated enterprises	25746	36633	35666	50748
Incl. Doubtful debtors debt	128098	182267	154498	219831
Incl. Stocks doubtful debtors debt	-128098	-182267	-154498	-219831
<b>Other debtors</b>	<b>4234623</b>	<b>6025325</b>	<b>4501274</b>	<b>6404736</b>
Incl. Accrued and unpaid VAT	18143	25815	93265	132704
Incl. Advance payments	2424	3449	3084	4388
Incl. VAT budget overpayments	2230410	3173587	3143991	4473496
Incl. Debt for caused damages to the enterprise	115546	164407	0	0
Incl. Various debtors	15602	22200	36730	52262
Incl. Overpaid salaries	18	25	175	249
Incl. Advance prepayment for services	29318	41716	12717	18095
Incl. Advance prepayment for Corporate income tax	1808600	2573406	1199246	1706373
Incl. Overpaid taxes	4563	6493	2066	2940
Incl. Security deposit	10000	14229	10000	14229
<b>Future periods payments</b>	<b>96988</b>	<b>138002</b>	<b>100884</b>	<b>143544</b>
Incl. Press expenses	6329	9005	9600	13660
Incl. Miscellaneous	12698	18067	5394	7675
Incl. Property insurance	49169	69961	36100	51366
Incl. Audit expenses	9707	13812	10786	15347
Incl. Rent	19086	27156	39004	55498
<b>Total Debtors:</b>	<b>5674796</b>	<b>8074509</b>	<b>14542189</b>	<b>20691671</b>

**3. PROVISIONS**

	Provisions for anticipated vacations (4318)		Provisions for doubtful debtors (4319)		Tax provisions	
	LVL	EUR	LVL	EUR	LVL	EUR
<b>On 31.12.2008.</b>	<b>1831600</b>	<b>2606132</b>	<b>154498</b>	<b>219831</b>	<b>-167000</b>	<b>-237620</b>
Increase	0	0	0	0	1488598	2118084
Decrease	-1001600	-1425148	-26400	-37564	0	0
Written-off as bad debt	0	0	0	0	0	0
Repriced	0	0	0	0	0	0
<b>On 31.12.2009.</b>	<b>830000</b>	<b>1180984</b>	<b>128098</b>	<b>182267</b>	<b>1321598</b>	<b>1880465</b>

The amount of provisions for doubtful debtors and the actual doubtful debtors' debt balance offset each other, therefore only actual debtors are accounted for in the Balance sheet.

**4. ACCOUNTS PAYABLE (CREDITORS)**

CREDITORS	As of 31.12.2009.		As of 31.12.2008.	
	LVL	EUR	LVL	EUR
<b>Short-term borrowing from credit institutions (credit line)</b>	<b>13995639</b>	<b>19914000</b>	<b>13563414</b>	<b>19298999</b>
<b>Credit interests</b>	<b>6982</b>	<b>9935</b>	<b>0</b>	<b>0</b>
<b>Advance payments (residents)</b>	<b>56619</b>	<b>80562</b>	<b>622725</b>	<b>886058</b>
<b>Advance payments (non residents )</b>	<b>7986840</b>	<b>11364249</b>	<b>1856560</b>	<b>2641647</b>
<b>Other borrowing (factoring)</b>	<b>348986</b>	<b>496562</b>	<b>3069151</b>	<b>4367008</b>
<b>Debts to suppliers and contractors</b>	<b>8073220</b>	<b>11487158</b>	<b>8976687</b>	<b>12772675</b>
Incl. Materials and gas	4097671	5830461	5522269	7857481
Incl. Services	816246	1161414	1228187	1747553
Incl. Scrap, various services related to scrap delivery, processing	3151356	4483976	2201441	3132368
Incl. Fixed assets	984	1400	21039	29936
Incl. Medical department creditors	3481	4953	3751	5337
Incl. Other Creditors	3482	4955	0	0
<b>Debts to related enterprises (subsidiaries)</b>	<b>91741</b>	<b>130535</b>	<b>84050</b>	<b>119592</b>
<b>Debts to associated enterprises</b>	<b>25886</b>	<b>36833</b>	<b>0</b>	<b>0</b>
<b>Accrued liabilities to suppliers</b>	<b>77141</b>	<b>109762</b>	<b>209416</b>	<b>297972</b>
<b>Taxes and social insurance payments</b>	<b>647166</b>	<b>920835</b>	<b>873847</b>	<b>1243372</b>
Incl. State tax	573	815	645	918
Incl. Residents' Income tax	221661	315395	332305	472827
Incl. VAT for the previous period	0	0	1235	1757
Incl. Social Security tax	395041	562093	525897	748284
Incl. Natural resources tax	29892	42532	13689	19478
Incl. Real estate tax (land)	0	0	76	108
<b>Other creditors (liabilities)</b>	<b>763225</b>	<b>1085971</b>	<b>1039092</b>	<b>1478495</b>
Incl. Payments for the amount of the advance	80	114	0	0
Incl. Payments for salaries	731691	1041103	1000428	1423481
Incl. Deductions from salaries	31453	44754	38664	55014
<b>Total Creditors:</b>	<b>32073445</b>	<b>45636400</b>	<b>30294942</b>	<b>43105819</b>

**5. TAXES AND SECURITY PAYMENTS**

Tax Description	Balance as of 31.12.2008.		Recorded for year 2009.		Paid for year 2009.		Balance as of 31.12.2009.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Real estate tax (buildings)	0	0	181235	257874	183715	261403	-2480	-3529
Land tax to Liepaja City local authorities	-1967	-2799	68256	97120	68273	97144	-1984	-2823
Land tax to District Regional Authorities	75	107	300	427	375	534	0	0
Income tax	332307	472830	2718339	3867848	2828986	4025284	221660	315394
Social security tax	525896	748283	5006865	7124127	5137720	7310317	395041	562093
Business risk duty	645	918	7107	10112	7179	10215	573	815
Corporate income tax	-1199246	-1706373	1137926	1619123	1747280	2486155	-1808600	-2573406
Natural resources tax	13689	19478	100820	143454	84617	120399	29892	42533
Value added tax	1235	1757	14294077	20338639	14295312	20340396	0	0
Packing tax	-99	-141	0	0	0	0	-99	-141
<b>TOTAL</b>	<b>-327465</b>	<b>-465941</b>	<b>23514925</b>	<b>33458724</b>	<b>24353457</b>	<b>34651847</b>	<b>-1165997</b>	<b>-1659064</b>
<b>Payable</b>							<b>647166</b>	<b>920834</b>
Tax overpayment							-1813163	-2579899

Tax overpayments (-) and advance payments are recorded in section "Other debtors" of Balance Sheet.

## ENCLOSURES TO PROFIT AND LOSS STATEMENT

### 6. NET TURNOVER (REVENUE)

Product Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Rolled steel	158023912	224847770	253532697	360744528
Consumer goods	0	0	1219627	1735373
Services	214993	305907	199947	284499
Sold steam, gCal	26217	37303	23073	32830
Medical department	1056488	1503247	1171158	1666408
Transportation services	68957	98116	68897	98032
<b>TOTAL</b>	<b>159390566</b>	<b>226792343</b>	<b>256215399</b>	<b>364561669</b>

**7. NET TURNOVER BY GEOGRAPHIC MARKETS**

Market	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
European Union countries	55131510	78445071	161280149	229480978
Other third countries	104259056	148347272	94935250	135080691
<b>Total</b>	<b>159390566</b>	<b>226792343</b>	<b>256215399</b>	<b>364561669</b>



**8. PRODUCTION COSTS OF SOLD GOODS**

Cost Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Materials	115071654	163732213	173778537	247264582
Salaries and wages	11616971	16529461	16368838	23290758
Social benefits deductions	2739448	3897883	3846743	5473422
Depreciation	5622412	7999972	8484291	12072058
Other costs	23462529	33384171	30773709	43787043
<b>Total</b>	<b>158513014</b>	<b>225543699</b>	<b>233252118</b>	<b>331887863</b>

**9. SALES COSTS**

Cost Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Packing materials	120165	170979	151385	215401
Transportation costs	1346890	1916451	2092470	2977317
Freight	4111112	5849586	2423005	3447626
Port handling charges	2452738	3489931	1674240	2382229
Advertising and marketing costs	40328	57381	69155	98399
Other sales costs (insurance, storage/warehousing, depreciation, and other)	942311	1340788	290479	413314
Bank services	696	990	45912	65327
Costs related to factoring	92558	131699	124270	176820
Costs related to L/C	100006	142296	16253	23126
<b>Total</b>	<b>9206803</b>	<b>13100100</b>	<b>6887169</b>	<b>9799559</b>

**10. ADMINISTRATION COSTS**

Costs Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Salaries and social costs	2896306	4121072	4528225	6443084
Communication costs	83964	119470	135696	193078
Other office supplies and office maintenance costs	893021	1270654	1286224	1830132
Legal and auditing fees, translation	98146	139649	396027	563496
Presentation costs	169835	241653	197480	280989
Depreciation of fixed assets	226933	322897	569133	809803
Management traveling expenses	107248	152601	140454	199848
Management training	4847	6897	19940	28372
Costs for bank account services	55267	78638	19705	28038
Costs related to stockholders	17952	25544	98521	140183
<b>Total</b>	<b>4553521</b>	<b>6479076</b>	<b>7391405</b>	<b>10517022</b>

**11. OTHER OPERATING INCOME**

Income Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Sale of current assets	748830	1065490	1668658	2374286
Income from fixed assets sale	157217	223700	5027	7153
Income from fixed assets liquidation	340419	484373	12485	17765
Income from foreign exchange sale or purchase	300212	427164	813686	1157771
Received fines	42251	60118	46582	66280
Written-off revaluation reserve of fixed assets	458680	652642	393044	559251
Bad debt recovery	37145	52852	181492	258240
Other income from operating activity	3762928	5354164	965791	1374197
Income due to a decrease in provisions	1001600	1425148	75430	107327
<b>Total</b>	<b>6849284</b>	<b>9745653</b>	<b>4162195</b>	<b>5922270</b>

**12. OTHER OPERATING COSTS**

Costs Description	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Sales costs of current assets	663121	943536	1334559	1898906
Costs related to the sale and liquidation of fixed assets	52690 33215	74971 47260	9845 190695	14008 271335
Currency exchange loss	0	0	42614	60634
Investment properties value decrease	141775	201727	67000	95332
Provisions for bad debts	0	0	124065	176529
Doubtful debts write-off	1802	2563	155786	221664
Paid compensations and other benefits	297785	423710	336428	478694
Other costs	1565368	2227317	68661	97696
Paid fines	535	761	23600	33580
Costs not related to the operating activities	1355288	1928401	2449413	3485201
Costs of infrastucture maintenance	35378	50338	77313	110006
Training costs of the new staff	34710	49387	24292	34564
Costs of previous period	44239	62946	104269	148361
Costs of auto maintenance	39922	56804	46880	66704
<b>Total</b>	<b>4265826</b>	<b>6069723</b>	<b>5055420</b>	<b>7193215</b>

**13. INCOME FROM PARTICIPATION IN CAPITAL OF ASSOCIATED COMPANIES AND SUBSIDIARIES**

Income	31.12.2009.		31.12.2008.	
	LVL	EUR	LVL	EUR
<b>Income from participation in capital of associated companies and subsidiaries</b>	123674	175972	0	0
<b>TOTAL:</b>	<b>123674</b>	<b>175972</b>	<b>0</b>	<b>0</b>

**14. INTEREST INCOME**

Income	For 12 months of year 2009		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Income from loans to business persons	1561	2221	4790	6816
Income from bank accounts	2438	3469	4168	5931
Income from deposit investments	176070	250525	187135	266269
<b>Total Interest Income</b>	<b>180069</b>	<b>256215</b>	<b>196093</b>	<b>279015</b>