

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

## Annual Report

For 12 months of the year 2010

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Tel: (+371) 67220320, 67228926  
Fax: (+371) 67320180  
bdo@bdo.lv  
www.bdo.lv

BDO AS  
19 Puikveža 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 2010. The audited financial statement comprises the statements of financial position as of 31 December 2010, the statements of comprehensive income for the year 2010, the report on the changes in equity, and the cash flow statement for the year ended December 31, 2010, 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 as adopted by the European Union. 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.

Registration No: 40003014197  
Account No: LV76LJNL4001003469481 (LVL), LV94LJNL40001645070322 (EUR), SEB banka AS, Swift code UNLALV2X  
Account No: LV80HABA3551029169581 (multic), Swedbank AS, Swift code HABA LV22  
Account No: LV75NDEA0000082908382 (LVL), Nordea bank Finland Plc Latvia branch, Swift code NDEALV2X

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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, 2010, and of the results of its financial performance and cash flows for the year 2010 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 2010, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statement for the year 2010.

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



Riga, Latvia  
April 26, 2011

A. Putniņš  
The responsible certified auditor  
Certificate No.123

### INFORMATION ABOUT THE COMPANY

1. Full name of the Company:	Joint-Stock Company "Liepājas Metalurģs"
2. Legal status of the Company:	Public Joint-Stock Company
3. Registration number of the State Registration, place, date:	40003014197 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:	2010, 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 Vīlnītis 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:	2267

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

### **Management Statement Regarding the Financial Statements for 12 months of 2010.**

#### **Business type**

The 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 Company's Net Turnover in the reporting year was 194.3 million LVL (EUR 276.46 mill.), which was a 21% increase compared to the year of 2009. The business activities produced a 6.69 million LVL loss (EUR 9.52 mill.). The net turnover increase and loss decrease in comparison with the previous year was primarily related to the fact that the sales price increased by 18.2%.

52.5% of the product was sold in European Union while 47.5% in the third countries.

#### **Financial risk management**

The operations of the 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 in respect to its liquidity, however, taking into account technological processes modernization, the Company used a considerable amount of borrowed funding during the reporting period.

#### **Long-term financing liabilities**

On December 29, 2009 all the terms and conditions were agreed with one of the leading Italian banks UniCredit MedioCredito Centrale S.p.A. on the documentation package concerning financing agreements related to the modernization of the Company. The total amount of the Bank's financing is EUR 85'597'300. All conditions precedent to the long-term financing had been fulfilled and the financing entered into full force and effect on June 30, 2010.

The financing was secured with the following collaterals:

- 1) real estate with the cadastral number 1700 022 0059, Brīvības ielā 94, Liepājā, LV-3401;
- 2) movable assets owned;
- 3) equipment acquired within the scope of the modernization project.

The overall financing has an average life of approximately 8 years with the repayment commencing 6 months upon the project completion and is based on a semiannual repayment schedule. The project implementation is scheduled to be completed by the end of 2011.

### **Year 2010 major event**

In the year 2010 the major attention was dedicated to those works which were directly related to the meltshop modernization.

The long-term financing was used in the amount of 25.43 million LVL (EUR 36.18) from the borrower sources towards the development of the Company.

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

The JSC "Liepājas Metalurģs" meltshop modernization, including corresponding infrastructure development, is scheduled to be completed in the fall of 2011.

Ongoing tasks:

- The commissioning of meltshop main equipment 100 t electric arc furnace (EAF) and ladle furnace (LF), as well as necessary infrastructure to supply electricity, energy, water – all with the general contractor STG S.p.A. (Italy).

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

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

JSC "Liepājas metalurģs"  
On behalf of the Management of the Company,

Chairman of the Board

V.Terentjevs

## **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, 2010 as well as the results of its operations and cash flow for the year 2010. 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"

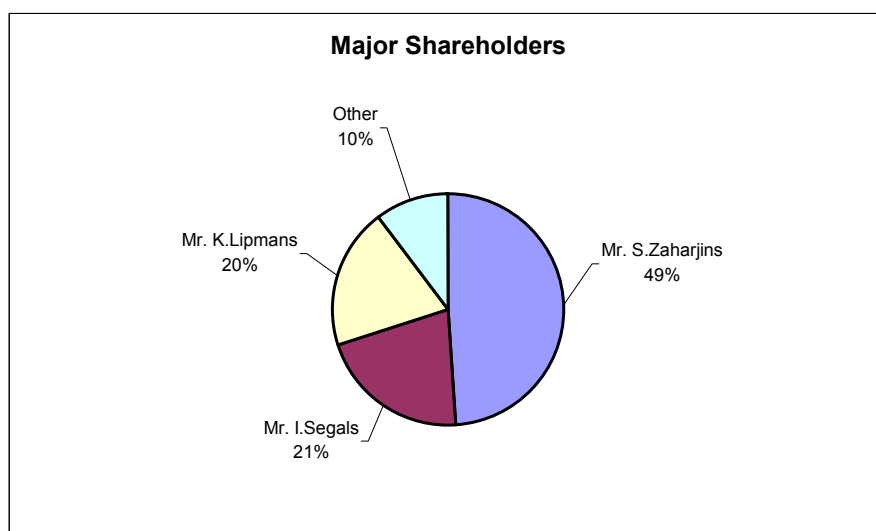
Chairman of the Board	_____	V.Terentjevs
Member of the Board	_____	I.Segals
Member of the Board	_____	L.Ptičkins



## SHARES AND SHAREHOLDERS

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

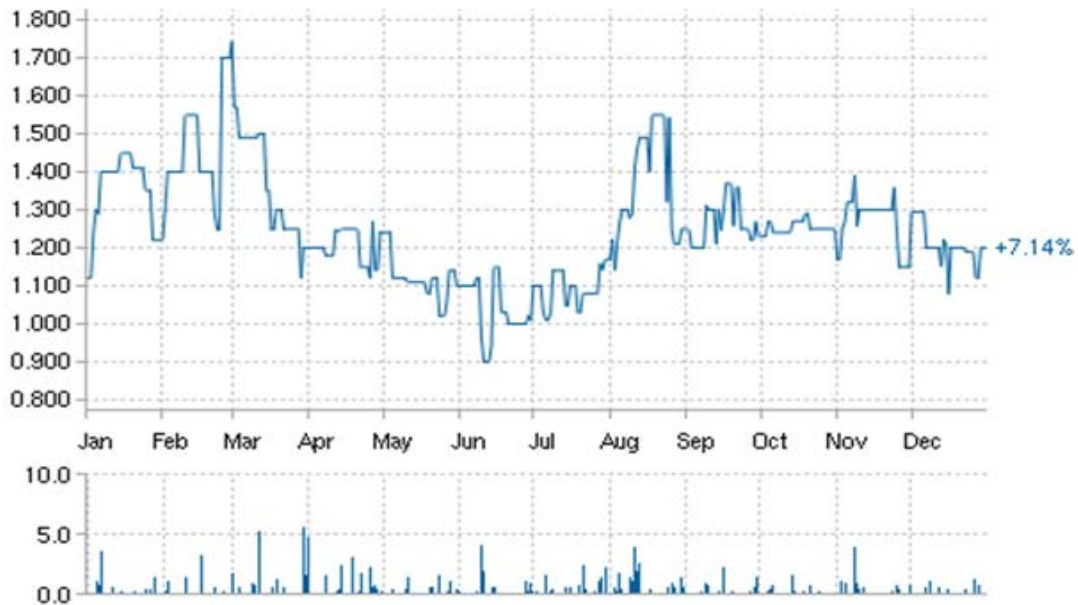
The Share Capital consist of 16 981 033 shares, with a nominal value of LVL 1,00 per share (EUR 1,42 / share).



Market History of the Shares						
	2005	2006	2007	2008	2009	2010
<b>Open Price (LVL)</b>	2.15	2.10	2.52	1.15	1.15	1.24
<b>Highest Price (LVL)</b>	2.95	2.61	4.45	4.08	1.9	1.74
<b>Lowest Price (LVL)</b>	1.74	1.55	2.06	1.00	0.7	0.9
<b>Average Price (LVL)</b>	2.31	1.94	3.24	2.06	0.92	1.22
<b>Ending Price (LVL)</b>	2.09	2.45	3.78	1.15	1.12	1.2
<b>Quantity of Shares</b>	613,179	660,761	701,512	220,418	462,795	96,878
<b>Turnover, LVL mio.</b>	1.41	1.28	2.27	0.46	0.44	0.11
<b>Capitalization, LVL mio.</b>	35.49	41.60	64.19	19.53	19.02	22.37

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

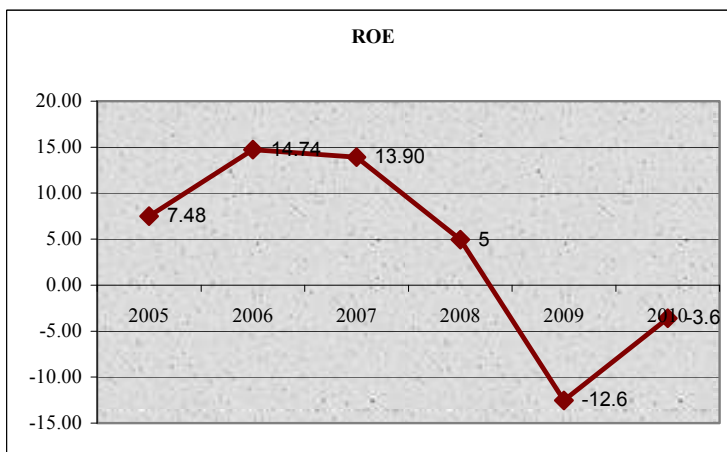
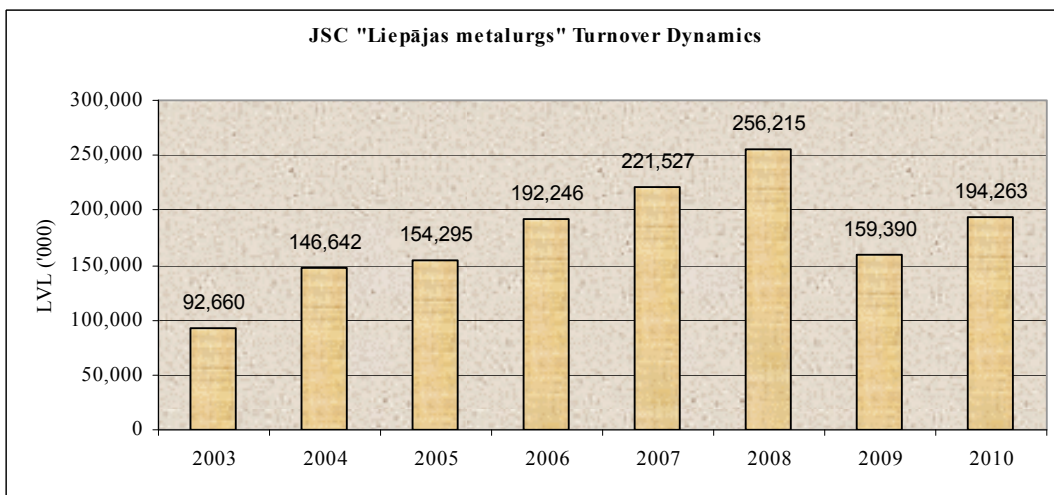
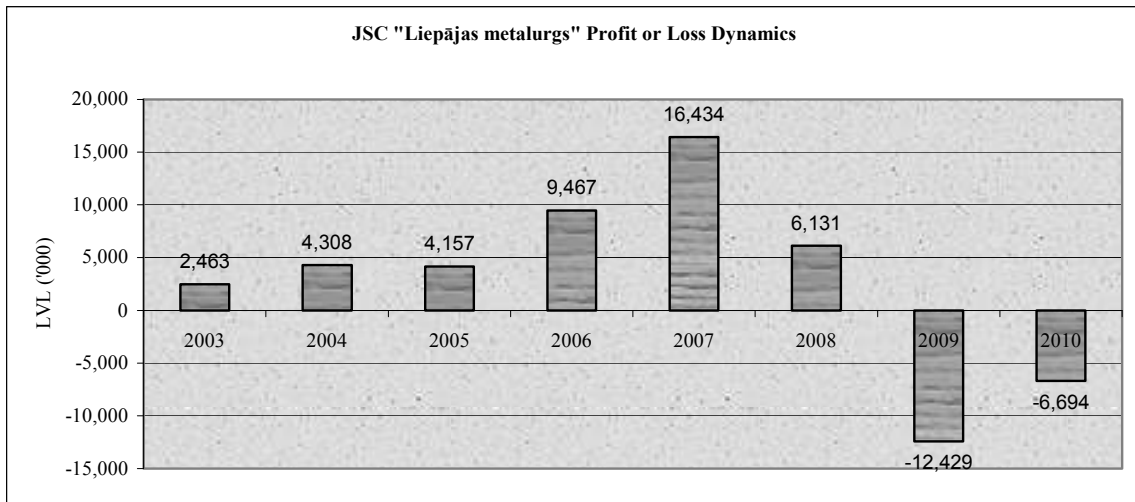
**JSC "Liepājas Metalurģs" share price development for the period 01.01.2010 – 31.12.2010**

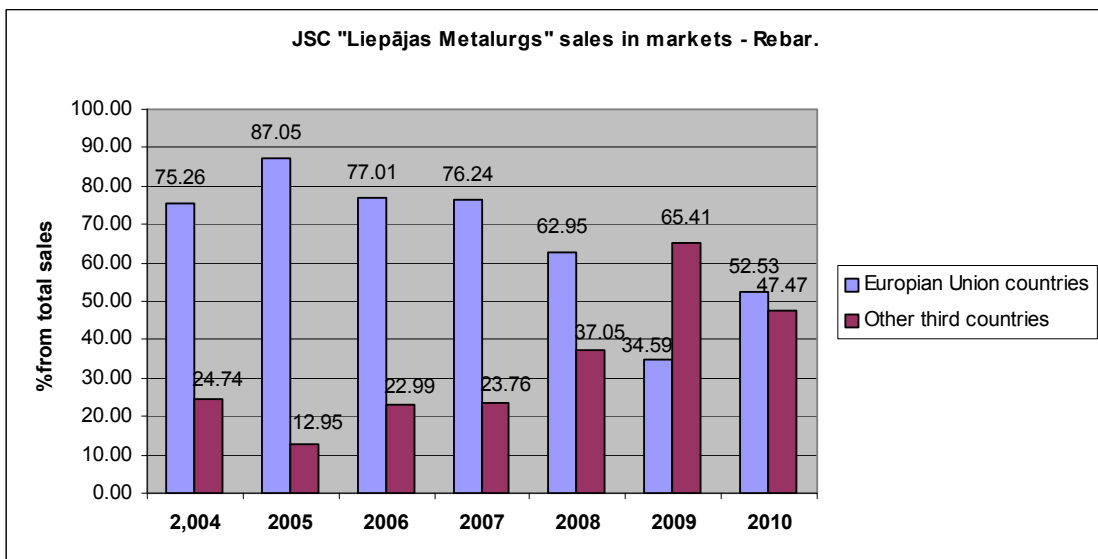
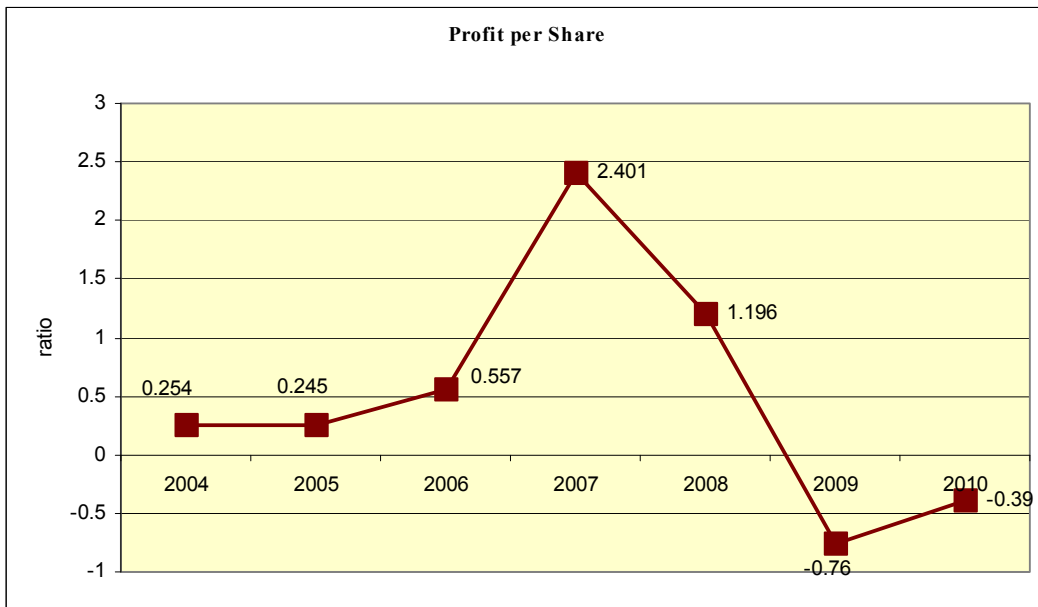


**JSC "Liepājas metalurģs" share price development for the period 01.01.2008 – 31.12.2010**



## FACTS AND NUMBERS





**STATEMENTS OF FINANCIAL POSITION**

ASSETS	Enclosure Number	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
<b>I.LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Other intangible investments		45309	64469	60382	85916
2. Advance payments for intangible investments		0	0	0	0
<b>I. TOTAL:</b>		<b>45309</b>	<b>64469</b>	<b>60382</b>	<b>85916</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions and long-term sites		49988505	71127235	50681702	72113565
2. Technological equipment and machinery		23927709	34046063	29103776	41410942
3. Other fixed assets and inventory		1782663	2536501	2329471	3314539
4. Fixed assets formation and costs of unfinished construction sites		30982489	44084110	651212	926591
5. Advance payments for fixed assets		18413	26199	371389	528439
<b>II. TOTAL:</b>		<b>106699779</b>	<b>151820108</b>	<b>83137550</b>	<b>118294076</b>
<b>III. Investment properties</b>					
1. Investment properties		4922000	7003375	5009000	7127165
<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	41260	58708
3. Share in the capital of associated companies		1015343	1444703	649843	924643
4. Other loans		0	0	0	0
<b>IV. TOTAL:</b>	1	<b>10125609</b>	<b>14407444</b>	<b>9760109</b>	<b>13887384</b>
<b>Section 1 total amount:</b>		<b>121792697</b>	<b>173295395</b>	<b>97967041</b>	<b>139394541</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		8958204	12746376	10983249	15627755
2. Unfinished products, Work-in-Process		220299	313457	1514799	2155365
3. Finished products and goods for sales		39791180	56617748	9996549	14223808
4. Incompleted orders		209935	298711	130419	185570
5. Advance payments for goods		8069074	11481258	2207495	3140982
<b>I. TOTAL:</b>		<b>57248692</b>	<b>81457550</b>	<b>24832511</b>	<b>35333480</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		971994	1383023	1109728	1579001
2. Debt of related companies (subsidiaries)		388191	552346	207711	295546
3. Debt of associated enterprises		38533	54828	25746	36633
4. Other debtors (accounts receivable)		859466	1222910	4234623	6025326
5. Short-term loans		0	0	0	0
6. Prepaid expenses		70056	99681	96988	138001
<b>II. TOTAL:</b>	2	<b>2328240</b>	<b>3312787</b>	<b>5674796</b>	<b>8074507</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>		3598703	5120493	4734626	6736766
<b>IV. TOTAL:</b>		<b>3598703</b>	<b>5120493</b>	<b>4734626</b>	<b>6736766</b>
<b>Section 2 total amount</b>		<b>63175635</b>	<b>89890830</b>	<b>35241933</b>	<b>50144753</b>
<b>TOTAL ASSETS</b>		<b>184968332</b>	<b>263186225</b>	<b>133208974</b>	<b>189539294</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
<b>1. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		45916269	65332965	49907552	71012049
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		44524829	63353124	44524829	63353124
<b>3. TOTAL:</b>		<b>44524829</b>	<b>63353124</b>	<b>44524829</b>	<b>63353124</b>
4. Retained earnings a) undistributed profit from the previous years		-12429483	-17685561	0	0
4. Retained earnings b) undistributed profit of the reporting year		-6694016	-9524727	-12429483	-17685561
section 1 total amount:		<b>88298632</b>	<b>125637634</b>	<b>98983931</b>	<b>140841445</b>
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		1470350	2092120	1321598	1880465
2. Other provisions		821000	1168178	830000	1180984
section 2 total amount:	<b>3</b>	<b>2291350</b>	<b>3260297</b>	<b>2151598</b>	<b>3061448</b>
<b>3. LIABILITIES (Accounts Payable)</b>					
I. Long-term Creditors (Accounts Payable).		25432579	36187300	0	0
<b>I. TOTAL:</b>		<b>25432579</b>	<b>36187300</b>	<b>0</b>	<b>0</b>
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		13520667	19238176	14002621	19923935
2. Other loans		125086	177981	348986	496562
3. Advance payments received from customers		41459776	58991947	8043459	11444811
4. Suppliers and contractors trade account payable		10240655	14571139	8073220	11487157
5. Accrued liabilities (Payable bills of exchange)		1894281	2695319	77141	109762
6. Payable (debt) to related companies (subsidiaries)		92313	131350	91741	130536
7. Payable (debt) to associated companies		160347	228153	25886	36832
8. Taxes and state social insurance payments		730970	1040077	647166	920834
9. Other liabilities		721676	1026852	763225	1085971
<b>II. TOTAL:</b>		<b>68945771</b>	<b>98100994</b>	<b>32073445</b>	<b>45636401</b>
Section 3 total amount:	<b>4</b>	<b>94378350</b>	<b>134288294</b>	<b>32073445</b>	<b>45636401</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>184968332</b>	<b>263186225</b>	<b>133208974</b>	<b>189539294</b>

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

V.Terentjevs

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

I.Segals

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

L.Ptičkina

**STATEMENTS OF COMPREHENSIVE INCOME**

No.	Parameter designation	Enclosure Number	At the end of the report period LVL	At the end of the report period EUR	12 months 2009 LVL	12 months 2009 EUR
1	2	3	4	5	6	7
1	<b>Net turnover</b>	5,6	194263074	276411452	159390566	226792343
2	<b>Production costs of goods sold</b>	7	-192623235	-274078171	-158513014	-225543699
3	<b>Gross profit or loss (from turnover)</b>		1639839	2333281	877552	1248644
4	<b>Sales costs</b>	8	-5356617	-7621779	-9206803	-13100100
5	<b>Administration costs</b>	9	-4683106	-6663460	-4553521	-6479077
6	<b>Other operating income</b>	10	7624361	10848488	6849284	9745653
7	<b>Other operating costs</b>	11	-5042816	-7175281	-4265826	-6069724
8	<b>Interest income and other similar income</b>	12	213899	304351	180069	256215
9	<b>Proceeds from subsidiary and associated companies capital</b>		0	0	123674	175972
10	<b>Interest payments and similar expenses</b>		-670446	-953959	-695749	-989962
11	<b>Profit or loss before extraordinary items and taxes</b>		-6274886	-8928358	-10691320	-15212378
12	<b>Profit or loss before taxes</b>		-6274886	-8928358	-10691320	-15212378
13	<b>Deferred tax</b>		-148752	-211655	-1488598	-2118084
14	<b>Other taxes</b>		-270378	-384713	-249565	-355099
15	<b>Reporting period profit or loss after taxes</b>		-6694016	-9524727	-12429483	-17685561

The JSC "Liepājas Metalurgs" demonstrated a loss at the rate of -0.39 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 2009	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	218781231	311297646	146143599	207943607
Cash received from other business activities	1636743	2328875	531379	756084
VAT overpayment received	12953260	18430829	12664368	18019772
Bank interest received	214046	304560	181715	258557
Cash paid to suppliers and employees	-241884258	-344170292	-179871431	-255933989
<b>Cash received from the core business activity</b>	<b>-8298978</b>	<b>-11808382</b>	<b>-20350370</b>	<b>-28955968</b>
Interest payment	-641333	-912535	-717320	-1020654
Corporate income tax payment	0	0	-252995	-359979
Other tax payments	-1011222	-1438839	-7097471	-10098791
<b>Net cash flow from the core business activity</b>	<b>-9951533</b>	<b>-14159756</b>	<b>-28418156</b>	<b>-40435393</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of fixed assets and intangible assets	-4071638	-5793419	-525505	-747726
Sale of fixed assets and intangible assets	4840	6887	1600	2277
Investments in related or associated companies	-115000	-163630	123674	175972
<b>Net cash flow from investment operations</b>	<b>-4181798</b>	<b>-5950162</b>	<b>-400231</b>	<b>-569477</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short-term borrowings in net value (credit line)	14072592	20023494	32269415	45915241
Related companies (subsidiaries) loans (and interests) repayment	2027	2884	2197	3126
Costs not associated with the operating activities	-886191	-1260936	-1129502	-1607137
<b>Net cash flow from financial activities</b>	<b>13188428</b>	<b>18765442</b>	<b>31142110</b>	<b>44311230</b>
Result of foreign currency exchange rate fluctuations	-191020	-271797	-178723	-254300
<b>Net growth of cash and its equivalents</b>	<b>-1135923</b>	<b>-1616273</b>	<b>2145000</b>	<b>3052060</b>
Cash and its equivalents at the beginning of accounting period	4734626	6736766	2589626	3684706
<b>Cash and its equivalents at the end of accounting period</b>	<b>3598703</b>	<b>5120493</b>	<b>4734626</b>	<b>6736766</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 31.12.2008.</b>	<b>16981033</b>	<b>63016797</b>	<b>0</b>	<b>38393389</b>	<b>6131440</b>	<b>0</b>	<b>124522659</b>
Previous year profit put in reserves				6131440	-6131440		0
Undistributed profit of the reporting period					-12429483		-12429483
Reserves distribution							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-13109245					-13109245
<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>
Previous year profit put in reserves					12429483	-12429483	0
Undistributed profit of the reporting period					-6694016		-6694016
Increase of fixed capital							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-3991283					-3991283
<b>As of 31.12.2010.</b>	<b>16981033</b>	<b>45916269</b>	<b>0</b>	<b>44524829</b>	<b>-6694016</b>	<b>-12429483</b>	<b>88298632</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 31.12.2008.</b>	<b>24161833</b>	<b>89664824</b>	<b>0</b>	<b>54628871</b>	<b>8724253</b>	<b>0</b>	<b>177179781</b>
Previous year profit put in reserves				8724253	-8724253		0
Undistributed profit of the reporting period					-17685561		-17685561
Reserves distribution		0					0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-18652775					-18652775
<b>As of 31.12.2009.</b>	<b>24161833</b>	<b>71012049</b>	<b>0</b>	<b>63353124</b>	<b>-17685561</b>	<b>0</b>	<b>140841445</b>
Previous year profit put in reserves					17685561	-17685561	0
Undistributed profit of the reporting period					-9524727		-9524727
Increase of fixed capital							0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-5679084					-5679084
<b>As of 31.12.2010.</b>	<b>24161833</b>	<b>65332965</b>	<b>0</b>	<b>63353124</b>	<b>-9524727</b>	<b>-17685561</b>	<b>125637634</b>

## FIXED ASSETS MOVEMENTS DESCRIPTION

LVL

	Intangible Investments	Land, Buildings and Constructions	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	TOTAL LVL
Beginning value							
<b>31.12.2009.</b>	<b>308128</b>	<b>53881793</b>	<b>42289968</b>	<b>3667658</b>	<b>651213</b>	<b>371389</b>	<b>101170149</b>
Acquired in 2010	8137	139883	1945635	76402	32560946	13062521	<b>47793524</b>
Turned into usage	0	0	-25147	25147	-2229670	-13415497	<b>-15645167</b>
Written-off	0	-166690	-4094347	-53480	0	0	<b>-4314517</b>
<b>on 31.12.2010.</b>	<b>316265</b>	<b>53854986</b>	<b>40116109</b>	<b>3715727</b>	<b>30982489</b>	<b>18413</b>	<b>129003988</b>
Depreciation							
<b>31.12.2009.</b>	<b>247746</b>	<b>3200091</b>	<b>13186192</b>	<b>1338187</b>	<b>0</b>	<b>0</b>	<b>17972216</b>
Calculated depreciation	23210	681599	5419343	622263	0	0	<b>6746415</b>
Moved over written-off depreciation	0	-15209	-2417135	-27386	0	0	<b>-2459730</b>
<b>On 31.12.2010.</b>	<b>270956</b>	<b>3866481</b>	<b>16188400</b>	<b>1933064</b>	<b>0</b>	<b>0</b>	<b>22258901</b>
<b>Balance Value</b>							
<b>31.12.2009.</b>	<b>60382</b>	<b>50681702</b>	<b>29103776</b>	<b>2329471</b>	<b>651213</b>	<b>371389</b>	<b>83197932</b>
<b>Balance Value</b>							
<b>31.12.2010.</b>	<b>45309</b>	<b>49988505</b>	<b>23927709</b>	<b>1782663</b>	<b>30982489</b>	<b>18413</b>	<b>106745088</b>

### Investment properties (LVL)

<b>On 31.12.2009.</b>	<b>5009000</b>
Moved from Fixed Assets	0
Revaluated profit or loss	-87000
<b>Balance on 31.12.2010.</b>	<b>4922000</b>

The cadastral value of the JSC "Liepājas Metalurgs" real estate in 2010 was:

- Land: LVL 8 045 342,-
- Buildings: LVL 12 695 142,-

**EUR**

	Intangible Investments	Land, Buildings and Constructions	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	TOTAL EUR
Beginning value							
31.12.2009.	438427	76666884	60173203	5218607	926593	528439	143952153
Acquired in 2008.	11578	199036	2768389	108710	46330052	18586293	68004058
Turned into usage	0	0	-35781	35781	-3172535	-19088533	-22261067
Written-off	0	-237179	-5825731	-76095	0	0	-6139005
on 31.12.2010.	450005	76628741	57080081	5287003	44084110	26199	183556139
Depreciation							
31.12.2009.	352511	4553319	18762261	1904069	0	0	25572160
Calculated depreciation	33025	969828	7711030	885400	0	0	9599284
Written-off depreciation	0	-21640	-3439273	-38967	0	0	-3499880
On 31.12.2010.	385536	5501507	23034018	2750502	0	0	31671563
Balance Value							
31.12.2009.	85916	72113565	41410942	3314539	926593	528439	118379995
Balance Value							
31.12.2010.	64469	71127235	34046063	2536501	44084110	26199	151884577

**Investment properties, (EUR)**

<b>On 31.12.2009.</b>	<b>7127164</b>
Moved from Fixed Assets	0
Revaluated profit or loss	-61144
<b>Balance on 31.12.2010.</b>	<b>7003375</b>

The cadastral value of the JSC "Liepājas Metalurgs" real estate in 2010 was:

- Land: EUR 11 447 490,-
- Buildings: EUR 18 063 560,-

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

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

The Annual Report is prepared in accordance with the is also in compliance with the preparation of the financial statements in accordance with the International Financial Reporting Standards. 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. Taking into a consideration changes in conditions concerning the fixed assets depreciation at the JSC "Liepājas metalurgs", the following depreciation rates were fixed and applied by the management for the year of 2009:

Intangible assets	
Licenses and computer software	20 %
Fixed (Capital) Assets:	
Buildings and Structures	1.5-2 %
Technological Equipment and Machinery operated in harsh working environment or at the maximum load level	25 %
Transportation Vehicles and Equipment	20 %
Computers and Data Storage Equipment	35 %
Other Fixed Assets	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. "Revaluation reserve" was reduced due to the fact that the value of fixed assets decreased. Part of assets does not have any book value left.

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

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.

### **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.

### **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. Profit or loss received from the corrections to the true value of investment properties is reflected in the Profit and Loss statement.

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. Investments in subsidiaries and associated companies are not revaluated. 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 1015343,- (EUR 1444703,-).

### **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>31.12.2010.</b>
USD	0.489	0.535
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 entrees in the accounting registers.

There is no financial leasing.

### **Financial Leasing**

The Company does not practice financial leasing. JSC "Liepājas Metalurģs" 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 (proforma 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 entrees 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**





**ENCLOSURES TO STATEMENTS OF FINANCIAL POSITION**

1. INVESTMENT CHANGES

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

Company Name, Address, Registration Number	31.12.2010.					
	Share capital	Ownership in %	Ownership in LVL	The investment carrying value, LVL	Equity value of related companies	Related companies Profit or loss for the year
<b>Related Companies (Subsidiaries)</b>						
LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	8143056	95.17%	7749206	7749206	7279330	-353542
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	2000	95%	1900	1900	502187	60776
"Ice-hall "Liepājas metalurgs"", Ltd. Brīvības iela 93, Liepāja; 40003421648	2000	95%	1900	1900	17199	2108
"Rūķis LM", Ltd. Vānes iela 25, Liepāja; 42103038147	1316000	100%	1316000	1316000	1449732	19171
<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	2682496	16%	432343	432343	3096454	47836
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	26000	50%	13000	13000	22981	2736
JSC "Sātiņi LM", Brīvības iela 93, Liepāja; 42103037207	900000	50%	**450000	450000	491973	-82500
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	240000	50%	120000	120000	270066	-11731
<b>Total Investments in Associated Companies, LVL</b>			<b>1015343</b>	<b>1015343</b>		

**\*\* The applied and registered in the Enterprise Register shares are 450 000. Actually paid are 290 875 shares in the amount of 290 875 LVL. The value of unpaid shares is 159 125 LVL, which is recorded in the Liabilities section of the Balance Sheet as "Payable (debt) to associated companies". All investments in the related and associated companies are recorded in the Balance Sheet at their acquisition value.**

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

Company Name, Address, Registration Number	31.12.2010.					
	Share capital	Ownership in %	Ownership in EUR	The investment carrying value, EUR	Equity value of related companies	Related companies Profit or loss for the year
<b>Related Companies (Subsidiaries)</b>						
LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	11586525	95%	11026127	11026127	10357553	-503045
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	2846	95%	2703	2703	714548	86476
"Ice-hall "Liepājas metalurgs"", Ltd. Brīvības iela 93, Liepāja; 40003421648	2846	95%	2703	2703	24472	2999
"Rūķis LM", Ltd. Vānes iela 25, Liepāja; 42103038147	1872499	100%	1872499	1872499	2062783	27278
<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	3816848	16%	615169	615169	4405857	68064
"SMA LM Minera", Ltd. Brīvības iela 93, Liepāja; 42103037781	36995	50%	18497	18497	32699	3893
JSC "Sātiņi LM" Brīvības iela 93, Liepāja; 42103037207	1280585	50%	640292	640292	700015	-16692
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	341489	50%	170745	170745	384269	-16691
<b>Total Investments in Associated Companies, EUR</b>			<b>1444703</b>	<b>1444703</b>		

**Long-Term Financial Investments: Year 2010 Movement Report (LVL)**

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 31.12.2009.	9069006	649843	41260
Invested (loans provided)		206375	
Written off (Repaid loans)		159125	
Moved to another item (or written-off )			
Accumulated saving			
The balance on 31.12.2010.	9069006	1015343	41260

**Long-Term Financial Investments: Year 2010 Movement Report (EUR)**

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 31.12.2009.	12904033	924643	58708
Invested (loans provided)		293645	
Written off (Repaid loans)		226414	
Moved to another item (or written-off )			
Accumulated saving			
The balance on 31.12.2010.	12904033	1444703	58708

**2. ACCOUNTS RECEIVABLE (DEBTORS)**

DEBTORS	As of 31.12.2010.		As of 31.12.2009.	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies debts</b>	<b>1398718</b>	<b>1990196</b>	<b>1343185</b>	<b>1911180</b>
Incl. Debts of buyers and customers	938283	1335056	760742	1082438
Incl. Debts of buyers with factoring activities	33711	47966	348986	496562
Incl. Debts of related companies (subsidiaries)	388191	552346	207711	295546
Incl. Debts of associated enterprises (doubtful debtors debt)	38533 /390266/	54828 /555298/	25746 /128098/	36633 /182267/
<b>Other debtors</b>	<b>859466</b>	<b>1222910</b>	<b>4234623</b>	<b>6025326</b>
Incl. Accrued and unpaid VAT	110469	157183	18143	25815
Incl. Advance payments	297	423	2424	3449
Incl. VAT budget overpayments	706357	1005055	2230410	3173588
Incl. Debt for caused damages to the enterprise	0	0	115545	164406
Incl. Various debtors	25890	36838	15602	22200
Incl. Overpaid salaries	93	132	18	26
Incl. Advance prepayment for services	15436	21963	29318	41716
Incl. Advance prepayment for Corporate income tax	825	1174	1808600	2573406
Incl. Overpaid taxes	99	141	4563	6493
Incl. Security deposit	0	0	10000	14229
<b>Future periods payments</b>	<b>70056</b>	<b>99681</b>	<b>96988</b>	<b>138001</b>
Incl. Press expenses	7965	11333	6329	9005
Incl. Miscellaneous	14588	20757	12697	18066
Incl. Property insurance	47503	67591	49169	69961
Incl. Audit expenses	0	0	9707	13812
Incl. Rent	0	0	19086	27157
<b>Total Debtors:</b>	<b>2328240</b>	<b>3312787</b>	<b>5674796</b>	<b>8074507</b>

### 3. PROVISIONS

	Provisions for anticipated vacations (4318)		Provisions for doubtful debtors (4319)		Tax provisions	
	LVL	EUR	LVL	EUR	LVL	EUR
<b>On 31.12.2009.</b>	830000	1180984	128098	182267	1321598	1880465
Increase	0	0	262168	373031	148752	211655
Decrease	-9000	-12806	0	0	0	0
<b>On 31.12.2010.</b>	<b>821000</b>	<b>1168178</b>	<b>390266</b>	<b>555298</b>	<b>1470350</b>	<b>2092120</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 31.12.2010.		As of 31.12.2009.	
	LVL	EUR	LVL	EUR
<b>Long-term borrowings</b>	<b>25432579</b>	<b>36187300</b>	<b>0</b>	<b>0</b>
<b>Short-term borrowing from credit institutions (credit line)</b>	<b>13491025</b>	<b>19195999</b>	<b>13995639</b>	<b>19914000</b>
<b>Credit interests</b>	<b>29642</b>	<b>42177</b>	<b>6982</b>	<b>9934</b>
<b>Advance payments (residents)</b>	<b>136346</b>	<b>194003</b>	<b>56619</b>	<b>80562</b>
<b>Advance payments (non residents )</b>	<b>41323430</b>	<b>58797944</b>	<b>7986840</b>	<b>11364249</b>
<b>Other borrowing (factoring)</b>	<b>33711</b>	<b>47966</b>	<b>348986</b>	<b>496562</b>
(physical persons)	91375	130015	0	0
<b>Debts to suppliers and contractors</b>	<b>10240655</b>	<b>14571139</b>	<b>8073220</b>	<b>11487157</b>
Incl. Materials and gas	7384930	10507809	4097671	5830461
Incl. Services	1103154	1569647	816246	1161413
Incl. Scrap, various services related to scrap delivery, processing	1549367	2204551	3151356	4483976
Incl. Fixed assets	202234	287753	984	1400
Incl. Medical department creditors	970	1380	3481	4953
Incl. Other Creditors	0	0	3482	4954
<b>Debts to related enterprises (subsidiaries)</b>	<b>92313</b>	<b>131350</b>	<b>91741</b>	<b>130536</b>
<b>Debts to associated enterprises</b>	<b>160347</b>	<b>228153</b>	<b>25886</b>	<b>36832</b>
<b>Accrued liabilities to suppliers</b>	<b>1894281</b>	<b>2695319</b>	<b>77141</b>	<b>109762</b>
<b>Taxes and social insurance payments</b>	<b>730970</b>	<b>1040077</b>	<b>647167</b>	<b>920836</b>
Incl. State tax	573	815	573	815
Incl. Residents' Income tax	272166	387257	221661	315395
Incl. VAT	4521	6433	0	0
Incl. Social Security tax	415867	591725	395041	562093
Incl. Natural resources tax	32546	46309	29892	42532
Incl. Real estate tax (buildings)	5195	7392	0	0
Incl. Real estate tax (land)	102	145	0	0
<b>Other creditors (liabilities)</b>	<b>721676</b>	<b>1026852</b>	<b>763224</b>	<b>1085970</b>
Incl. Payments for salaries	659033	937719	731691	1041102
Incl. Deductions from salaries	31078	44220	31453	44754
Incl. Loans to other creditors	30835	43874	0	0
Incl. Settlement parties	730	1039	80	114
<b>Total Creditors:</b>	<b>94378350</b>	<b>134288294</b>	<b>32073445</b>	<b>45636401</b>

**5. TAXES AND SECURITY PAYMENTS**

Tax Description	Balance as of 01.01.2010.		Recorded for year 2010.		Paid for year 2010.		Returned from the budget 2010.		Balance as of 31.12.2010.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Real estate tax (buildings)	-2480	-3529	190038	270400	182363	259479	0	0	5195	7392
Land tax to Liepaja City local authorities	-1984	-2823	80333	114304	78247	111335	0	0	102	145
Land tax to District Regional Authorities	0	0	6	9	6	9	0	0	0	0
Income tax	221660	315394	3023204	4301631	2972698	4229768	0	0	272166	387257
Social security tax	395041	562093	4673940	6650417	4653114	6620785	0	0	415867	591725
Business risk duty	573	815	6926	9855	6926	9855	0	0	573	815
Corporate income tax	-1808600	-2573406	-12670	-18028	0	0	1795105	2554204	-825	-1174
Natural resources tax	29892	42532	140899	200481	138245	196705	0	0	32546	46309
Packing tax	-99	-141	0	0	0	0	0	0	-99	-141
Value added tax	0	0	4521	6433	0	0	0	0	4521	6433
<b>TOTAL</b>	<b>-1165997</b>	<b>-1659064</b>	<b>8107197</b>	<b>11535501</b>	<b>8031599</b>	<b>11427936</b>	<b>1795105</b>	<b>2554204</b>	<b>730046</b>	<b>1038761</b>
VAT overpayment (prepayment)	-2230409	-3173586	0	0	16965792	24140147	18489844	26308678	-706357	-1005055

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



## ENCLOSURES TO STATEMENTS OF COMPREHENSIVE INCOME

### 6. NET TURNOVER (REVENUE)

Product Description	For 12 months of year 2010		For 12 months of year 2009	
	LVL	EUR	LVL	EUR
Rolled steel	192175828	273441568	158023912	224847770
Consumer goods	93981	133723	0	0
Crushed slag	355206	505413	0	0
Services	572817	815045	214993	305907
Sold steam, gCal	24451	34791	26217	37303
Medical department	916703	1304351	1056487	1503246
Transportation services	124088	176561	68957	98117
<b>TOTAL</b>	<b>194263074</b>	<b>276411452</b>	<b>159390566</b>	<b>226792343</b>

### 7. NET TURNOVER BY GEOGRAPHIC MARKETS

Market	For 12 months of year 2010		For 12 months of year 2009	
	LVL	EUR	LVL	EUR
European Union countries	102051746	145206553	55131510	78445071
Other third countries	92211328	131204899	104259056	148347272
<b>Total</b>	<b>194263074</b>	<b>276411452</b>	<b>159390566</b>	<b>226792343</b>

**8. PRODUCTION COSTS OF SOLD GOODS**

Cost Description	For 12 months of year 2010		For 12 months of year 2009	
	LVL	EUR	LVL	EUR
Materials	168040003	239099383	131452304	187039778
Salaries and wages	9667632	13755801	11616971	16529461
Social benefits deductions	2268905	3228361	2739448	3897883
Depreciation	5393349	7674044	5622412	7999972
Other costs	7253346	10320582	7081879	10076606
<b>Total</b>	<b>192623235</b>	<b>274078171</b>	<b>158513014</b>	<b>225543699</b>

**9. SALES COSTS**

Cost Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Packing materials	74634	106195	120165	170979
Transportation costs	1266752	1802426	1346890	1916452
Freight	1476617	2101037	4111112	5849585
Port handling charges	1765432	2511983	2452738	3489932
Advertising and marketing costs	28213	40143	40328	57382
Other sales costs (insurance, storage/warehousing, depreciation, and other)	677089	963411	942311	1340788
Bank services	0	0	696	990
Costs related to factoring	23983	34125	92558	131698
Costs related to L/C	43897	62460	100005	142294
<b>Total</b>	<b>5356617</b>	<b>7621779</b>	<b>9206803</b>	<b>13100100</b>

**10. ADMINISTRATION COSTS**

Costs Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Salaries and social costs	2944424	4189538	2896306	4121072
Communication costs	73576	104689	83964	119470
Office supplies and technical books/literature and other office supplies and office maintenance costs	854007	1215142	893023	1270657
Legal and auditing fees, translation	63755	90715	98146	139649
Presentation costs	333948	475165	169835	241653
Depreciation of fixed assets	233155	331750	226933	322897
Management traveling expenses	111761	159022	107248	152600
Management training	6908	9829	4847	6897
Costs for bank account services	40034	56963	55267	78638
Costs related to stockholders	21538	30646	17952	25543
<b>Total</b>	<b>4683106</b>	<b>6663460</b>	<b>4553521</b>	<b>6479077</b>

**11. OTHER OPERATING INCOME**

Income Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Sale of current assets	1573764	2239264	748830	1065489
Income from fixed assets sale	4000	5691	157217	223700
Income from fixed assets liquidation	97912	139316	340419	484373
Income from foreign exchange sale or purchase	640265	911015	300212	427163
Received fines	21800	31019	42251	60118
Written-off revaluation reserve from the fixed assets liquidation	158100	224956	458680	652643
Bad debt recovery	0	0	37145	52853
Other income from operating activity	4501813	6405503	3762930	5354167
Income due to a decrease in provisions	9000	12806	1001600	1425148
Received discounts	617707	878918	0	0
<b>Total</b>	<b>7624361</b>	<b>10848488</b>	<b>6849284</b>	<b>9745653</b>

**12. OTHER OPERATING COSTS**

Costs Description	For 12 months of year 2010		For 12 months of year 2009	
	LVL	EUR	LVL	EUR
Sales costs of current assets	909756	1294466	663121	943536
Costs related to the sale and liquidation of fixed assets	2450 65039	3486 92542	52690 33215	74971 47261
Currency exchange loss	0	0	0	0
Provisions for bad debts	262168	373031	0	0
Doubtful debts write-off	21754	30953	1802	2564
Investment properties value decrease	87000	123790	141775	201728
Paid compensations and other benefits	67795	96464	297785	423710
Other costs	294794	419454	1565366	2227315
Paid fines	58313	82972	535	761
Costs not related to the operating activities	1211790	1724222	1355288	1928401
Costs of infrastucture maintenance	20974	29843	35378	50338
Training costs of the new staff	47366	67396	34710	49388
Costs of previous period	41265	58715	44239	62946
Costs related to production shutdown	1913228	2722278	0	0
Costs of auto maintenance	39124	55668	39922	56804
<b>Total</b>	<b>5042816</b>	<b>7175281</b>	<b>4265826</b>	<b>6069724</b>

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

Income	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Income from participation in capital of associated companies and subsidiaries	0	0	123674	175972
<b>TOTAL:</b>	<b>0</b>	<b>0</b>	<b>123674</b>	<b>175972</b>

**14. INTEREST INCOME**

Income	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Income from loans to business persons	1548	2203	1561	2221
Income from bank accounts	1043	1484	2438	3469
Income from deposit investments	211308	300664	176070	250525
<b>Total Interest Income</b>	<b>213899</b>	<b>304351</b>	<b>180069</b>	<b>256215</b>