

Joint-Stock Company  
"Liepājas Metalurģs "

Reg.nr. 40003014197

Consolidated  
Annual Report

For the year ended 31 December 2010

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## INDEPENDENT AUDITOR'S REPORT

To shareholder of "Liepājas Metalurgs" AS

### Report on the financial statement

We have performed the audit of the consolidated financial statement of "Liepājas Metalurgs" AS, registration No.40003014197, and its subsidiaries (hereinafter - Group) for the year 2010 incorporated in the consolidated annual report of "Liepājas Metalurgs" AS for the year 2010. The audited consolidated financial statement comprises the statements of financial position of the Group 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: 40003035771  
Account No: LV76QHLA0001003469481 (LVL), LV94LHM A0001645070322 (EUR), SEB banka AS, Swift code LHMALV2X  
Account No: LV80HABA0551029169581 (multi), Swedbank AS, Swift code HABA LV22  
Account No: LV76HDEA0000082908382 (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 consolidated financial statement presents fairly, in all material respects the financial position of the Group 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 consolidated financial statement for the year 2010.

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

D.Tunst  
International Liaison Partner



Riga, Latvia  
April 26, 2011

A handwritten signature in blue ink, appearing to read 'A. Putniņš'.

A.Putniņš  
The responsible certified auditor  
Certificate No.123

## INFORMATION ABOUT THE COMPANY

JSC "Liepājas Metalurģs" is a public joint-stock company, which operates in compliance with the Republic of Latvia law. The Company was registered in the Business Register of the Republic of Latvia on August 6, 1991 and it was reregistered in the Commercial Register of the Republic of Latvia on August 7, 2003 under the unified register No. 40003014197. The main activities of the Company are production of steel, rolled products and hardware, commerce and mediator activity, transport services, sports and medical services.

JSC "Liepājas Metalurģs" has an ownership in various companies. In 2006 the Company further diversified its holding investing in several new companies. At the same time the Joint-Stock Company is not registered as a holding company (corporation).

### Companies included in consolidation:

LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM)	number of shares - 95.17%. Business type - stevedoring services, cargo, ship broker service, ship agency.
Ltd. "Sport Club Liepājas metalurģs"	number of shares - 95%. Business type - organization of sporting events, promotion of healthy living, organization of recreation and social events.
Ltd. "Ice-Hockey Hall Liepājas metalurģs"	number of shares - 95%. Business type - operation of the sport hall and stadium.
Ltd. "Rūķis LM"	number of shares - 100%. Construction materials production, waste and crushed slag processing.
Ltd. "Metalurģs and Duna"	number of shares - 50%. sale of electricity and rentals of premises.

### Companies not included in consolidation:

Ltd. "SMA LM Mineral"	number of shares - 50%. production of lime, services.
JSC "Sātiņi LM"	number of shares - 50%. limestone extraction, processing, and realization.
LSEZ Ltd. "Elme-Messer-Metalurģs"	number of shares - 16%. production of industrial gas.

### Minority shareholders

Minority shareholders of the companies involved in the consolidation are:

LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM)	8.37% of shares - physical person.
Ltd. "Sport Club Liepājas metalurgs"	5% of shares - Ltd. "Pērle LM"
Ltd. "Ice-Hockey Hall Liepājas metalurgs"	5% shares - Liepājas City Council
Ltd. "Metalurgs and Duna"	50% shares- physical person.

### Basis for the Preparation of the Financial Statements Report

The Annual Report is prepared in accordance with the compliance with the European Union (EU) International Standards on preparation of the Financial Statements.

Companies included in consolidation have prepared their Quarterly Reports for the same period and applying the same accounting principles.

The following IFRS have been used in the preparation of the consolidation:

IAS 1	Preparation of the Financial Statements Report
IAS 2	Inventories (Stocks)
IAS 8	Accounting Policy, Changes in Accounting Reports and Errors
IAS 10	Events After the Annual Report Date
IAS 16	Fixed (Capital) Assets
IAS 21	Impact from the Foreign Currency Exchange Range Fluctuation
IAS 27	Consolidated and Non-Consolidated Financial Statements I Reports
IAS 39	Financial Tools: Recognition and Valuation

Assuming that the Company will continue its operations as a going concern, the valuation was conducted for:

- Production equipment inventory based on the average weighted prices
- Purchased goods according to the purchase price
- Finished goods margin after actual cost
- Fixed assets according to the purchase price and additional payments, which are connected to the erection and commissioning

**The Profit and Loss Statement** is prepared using the turnover method. Prior to the preparation of the consolidated Quarterly Report, differences in the accounting methods used by the companies included in the consolidation were considered. The Profit and Loss report includes all income and expenses that resulted from the accounting year regardless of their payment date. Any internal transactions between the companies that are a part of the consolidation were excluded.

**Net Turnover** is a total amount equal to the product annual sales and services offered, excluding VAT.

**Cash Flow Statement** is conducted by using direct method.

**Depreciation of fixed assets** is calculated at the time of useful life of a particular asset, by using the straight-line method. In the Balance Sheet all fixed assets are recorded at historical cost. Land depreciation is not calculated.

Revaluation of fixed assets is performed periodically. In accordance with the International Valuation Standard, BDO "Invest Rīga" conducted revaluation of fixed assets on December 31, 2007 for the needs of JSC "Liepājas Metalurģs". 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".

Purchased computer software belongs to the **intangible assets** item. The value of the acquired intangible assets is depleting, while calculating their depreciation. Conducting a subsidiary reorganization and during the acquisition process a nonmaterial positive value appears.

**Investment properties** include buildings and land that the Company leases in order to generate additional earnings and increase the property value. These properties are not used in production, goods transport services, or for the need of administration. Investment properties are appraised based on their true value, which reflects the current market value. The appraisal is performed by the certified and licensed property appraiser - in this case by BDO "Invest Rīga". Corresponding profit or loss caused by the true value adjustments to the Investment Properties has been reflected in the Profit and Loss Statement.

**The cash flow statement** reflects cash and cash equivalents in the cash office, current bank account balances, and short-term deposit.

Values presented in the Annual Report and accounting are expressed in the Latvian national currency - lats (LVL). All foreign currency activities are recalculated by the official currency exchange rate of the Bank of Latvia. Assets and liabilities reported in a foreign currency are recalculated into Latvian Lats based on the official exchange rate at the Bank of Latvia on the last day of the reporting period. Foreign currency exchange profit or loss is reflected in the proper period Profit and Loss statement.

**Accounts receivable (debtors)** are presented in their book value, by deducting specific provisions for bad and doubtful debts. Following the conservative approach, the balance sheet includes only the actual accounts receivable dues. JSC "Liepājas Metalurģs" uses such forms of short-term financing as factoring. The Company operates under a recourse factoring agreement, where the Company is held responsible in front of the bank in cases when the buyer fails to deliver the payment.

**Accounts Payable** obligations are reflected in costs. Credited advance payment is presented as loans (other loans).

**Provisions** are formed by savings for the unused vacation and social payments.

## **Joint-Stock Company “Liepājas Metalurgs” Management Statement Regarding the Consolidated Annual Report 2010.**

### **Business type.**

Steel production, ship chartering and ship agency, stevedoring, cargo handling and loading port services, construction materials production, sport arena management, athletic stadium and other sports and cultural activities.

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

The Company's net turnover in the reporting year was LVL 204.2 mill. (approx. EUR 290.6 mill.) and a consolidated loss was LVL 6.98 mill. (approx. EUR 9.93 mill.).

### **Technical development of the Company.**

The following works were performed:

- related to the meltshop modernization;
- The LSEZ JSC “Liepājas osta LM” concluded a partnership agreement with “DAN STORE” Ltd concerning the transit of bulk cargoes and the construction of the storage terminal. Began reconstruction of pier number 50.
- practice and training facilities were provided to the professional, amateur, and youth and children football teams as well as to hockey and basketball teams.

### **Forecast and further development.**

The major tasks for the year 2011 include:

- 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).
- A new terminal building for bulk cargoes;
- To continue working with youth by involving them in sports and preparing new players for the national football, hockey and basketball teams.

JSC “Liepājas Metalurgs”

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 and its affiliated enterprises (in this text – the Consolidated Group) consolidated financial statements.

The Financial Statements represent the true picture for the Consolidated Group 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

## 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. Concessions, patents, licenses, trademarks and similar rights		4829	6871	0	0
2. Other intangible assets		46394	66013	200288	284984
3. Goodwill		66518	94647	0	0
<b>I.TOTAL:</b>		<b>117741</b>	<b>167530</b>	<b>200288</b>	<b>284984</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions, and long-term sites		52673028	74946967	53484845	76102078
2. Long-term investments in rented fixed assets		4607216	6555478	4819773	6857919
3. Technological equipment and machinery		29128410	41445993	34209753	48676093
4. Other fixed assets and inventory		2397554	3411412	3117575	4435910
5. Fixed assets formation and costs of unfinished construction sites		31594186	44954477	666770	948728
6. Advance payments for fixed assets		23193	33001	386277	549623
<b>II. TOTAL:</b>		<b>120423587</b>	<b>171347327</b>	<b>96684993</b>	<b>137570351</b>
<b>III. Investment properties</b>					
1. Investment properties		5136480	7308553	5232729	7445503
<b>IV. Long-term financial investments</b>					
1. Share in the capital of related companies (subsidiaries)		2000	2846	3268	4650
1.2. Share in the capital of associated companies		895343	1273958	529843	753899
2. Other loans		665910	947505	745910	1061334
<b>IV. TOTAL:</b>		<b>1563253</b>	<b>2224309</b>	<b>1279021</b>	<b>1819883</b>
<b>Section 1 total amount:</b>		<b>127241061</b>	<b>181047719</b>	<b>103397031</b>	<b>147120721</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		9093641	12939085	11079473	15764670
2. Unfinished products, Work in Process		240895	342763	1514799	2155365
3. Finished products and goods for sales		39879782	56743818	10124775	14406257
4. Incompleted orders		209935	298711	176633	251326
5. Advance payments for goods		8083225	11501393	2227398	3169302
6. Labour animals and productive animals		110	157	110	157
<b>I. TOTAL:</b>		<b>57507588</b>	<b>81825926</b>	<b>25123188</b>	<b>35747076</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		2190932	3117415	2317942	3298134
2. Debt of related companies enterprises		183395	260948	19264	
3. Debt of associated enterprises		38533	54828	25746	36633
4. Other debtors (accounts receivable)		1077397	1532998	4286726	6099462
5. Short-term loans		6129	8721	0	0
6. Prepaid expenses		107797	153381	114968	163585
7. Accrued income		28878	41090	0	0
<b>II.TOTAL:</b>	<b>I</b>	<b>3633061</b>	<b>5169380</b>	<b>6764646</b>	<b>9625224</b>
<b>III. Short-term financial investmens</b>		0	0	0	0
<b>III. TOTAL:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Cash</b>		3958364	5632245	5597181	7964071
<b>IV. TOTAL:</b>		<b>3958364</b>	<b>5632245</b>	<b>5597181</b>	<b>7964071</b>
<b>Section 2 total amount</b>		<b>65099013</b>	<b>92627550</b>	<b>37485015</b>	<b>53336371</b>
<b>TOTAL ASSETS</b>		<b>192340074</b>	<b>273675269</b>	<b>140882046</b>	<b>200457092</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
<b>I. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		45988653	65435958	49979936	71115042
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		-12290463	-17487753	7779	11069
4. Retained earnings: b) undistributed profit of the reporting year		-6743924	-9595739	-11827256	-16828669
4. Retained earnings: c) Minority shareholders		-233311	-331972	-376937	-536333
4. Retained earnings: b+c undistributed profit of the reporting year		-6977235	-9927711	-12204193	-17365002
section 1 total amount:		<b>88226817</b>	<b>125535451</b>	<b>99289384</b>	<b>141276066</b>
Minority shareholders		525170	747250	535430	761848
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		1653786	2353125	1389883	1977625
2. Other provisions		945604	1345473	908198	1292249
section 2 total amount:		<b>2599390</b>	<b>3698599</b>	<b>2298081</b>	<b>3269875</b>
<b>3. LIABILITIES (Accounts payable)</b>					
<b>I. Long-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		27287818	38827067	4086276	5814247
2. Other loans		1469971	2091580	0	0
3. Other liabilities		175146	249210	0	0
<b>I. TOTAL:</b>		<b>28932935</b>	<b>41167858</b>	<b>4086276</b>	<b>5814247</b>
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		15007243	21353383	15194083	21619232
2. Other loans		734728	1045424	766410	1090503
3. Advance payments received from customers		41505423	59056896	8069009	11481165
4. Suppliers and contractors trade account payable		11002550	15655218	8644489	12300000
5. Accrued liabilities (payable bills of exchange)		1913939	2723290	108178	153923
6. Payable (debt) to associated companies		160347	228153	25886	36832
7. Taxes and state social insurance payments	3	884627	1258711	974961	1387245
8. Other liabilities		846905	1205037	889859	1266155
<b>II. TOTAL:</b>		<b>72055762</b>	<b>102526113</b>	<b>34672875</b>	<b>49335056</b>
Section 3 total amount:	2	<b>100988697</b>	<b>143693970</b>	<b>38759151</b>	<b>55149303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>192340074</b>	<b>273675269</b>	<b>140882046</b>	<b>200457092</b>

JSC "Liepājas Metalurgs"  
 Chairman of the Board

\_\_\_\_\_

V.Terentjevs

Member of the Board

\_\_\_\_\_

I.Segals

Member of the Board

\_\_\_\_\_

L.Ptičkins

## 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	Net turnover	4, 5	204152477	290482805	169155100	240686023
2	Production costs of goods sold	6	-202417377	-288013980	-165419164	-235370265
3	Gross profit or loss (from turnover)		1735100	2468825	3735936	5315758
4	Sales costs	7	-5682866	-8085990	-12264611	-17450969
5	Administration costs	8	-5863272	-8342684	-5705536	-8118246
6	Other operating income	9	8306333	11818847	8404451	11958456
7	Other operating costs	10	-4226944	-6014399	-3997228	-5687543
8	Interest income and other similar income		214407	305074	185430	263843
9	Income from participation in capital of associated companies and subsidiaries		-4674	-6651	123674	175972
10	Interest payments and similar expenses		-832294	-1184248	-918191	-1306468
11	Profit or loss before taxes		-6354210	-9041226	-10436075	-14849197
12	Income tax for the reporting period		-62279	-88615	-37169	-52887
13	Other taxes		-289135	-411402	-267432	-380521
14	Deferred income tax		-271611	-386468	-1463517	-2082397
15	Reporting period profit or loss after taxes for the consolidated financial statement		-6977235	-9927711	-12204193	-17365002

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

JSC "Liepājas Metalurgs" 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 year		12 months of the year 2010.	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	228833668	325600976	154393640	219682358
Cash received from other business activities	1636743	2328875	542433	771813
VAT overpayment received	12953260	18430829	12664368	18019772
Cash paid to suppliers and employees	-251353036	-357643149	-187526533	-266826218
<b>Cash received from the core business activity</b>	<b>-7929365</b>	<b>-11282470</b>	<b>-19926092</b>	<b>-28352275</b>
Interest received from operating activities (banks)	212498	302357	181715	258557
Interest payment	-807221	-1148572	-935797	-1331519
Corporate income tax payments	-74327	-105758	-255674	-363791
Other tax payments	-2926052	-4163397	-8518600	-12120876
<b>Net cash flow from the core business activity</b>	<b>-11524467</b>	<b>-16397839</b>	<b>-29454448</b>	<b>-41909904</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of fixed assets	-4425309	-6296647	-898573	-1278554
Sale of fixed assets and intangible assets	4840	6887	199194	283428
Investments in associated and related companies	-117000	-166476	123674	175972
Interests received from loans	0	0	988	1406
<b>Net cash flow from investment operations</b>	<b>-4537469</b>	<b>-6456237</b>	<b>-574717</b>	<b>-817749</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short term borrowings, net value (credit line)	14263349	20294917	32274415	45922355
Long term borrowings	891704	1268780	757979	1078507
Paid liabilities for financial leasing	-46583	-66282	-4624	-6579
Loans to associated companies	-112448	-159999	0	0
Loans repayment of related and associated companies	2027	2884	-1093399	-1555767
Long-term loans repayment	-523581	-744989	-193257	-274980
Other received funding and subsidy	223008	317312	1195769	1701426
<b>Costs not associated with the operating activities</b>	<b>-80848</b>	<b>-115036</b>	<b>-98898</b>	<b>-140719</b>
<b>Net cash flow from financing activities</b>	<b>14616628</b>	<b>20797588</b>	<b>32837985</b>	<b>46724243</b>
Result of foreign currency exchange rate fluctuations	-193509	-275339	-186502	-265368
<b>Net growth of cash and its equivalents</b>	<b>-1638817</b>	<b>-2331827</b>	<b>2622318</b>	<b>3731222</b>
<b>Cash and its equivalents at the beginning of accounting period</b>	<b>5597181</b>	<b>7964071</b>	<b>2974863</b>	<b>4232849</b>
<b>Cash and its equivalents at the end of accounting period</b>	<b>3958364</b>	<b>5632245</b>	<b>5597181</b>	<b>7964071</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Revaluation reserve of long term investments	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2008.</b>	<b>16981033</b>	<b>63089181</b>	<b>38393389</b>	<b>5935893</b>	<b>507116</b>	<b>124906612</b>
Profit in reserves			6131440	-5935893	-499337	-303790
Undistributed profit of the reporting period				-11827256		-11827256
Reserves distribution						0
Minority shareholders		0		-376937		-376937
Increase of revaluation reserve		0				
Written-off revaluation reserve		-13109245				-13109245
<b>As of 31.12.2009.</b>	<b>16981033</b>	<b>49979936</b>	<b>44524829</b>	<b>-12204193</b>	<b>7779</b>	<b>99289384</b>
Profit in reserves				12204193	-12204193	0
Undistributed profit of the review period				-6977235		-6977235
Minority shareholders					-94048	-94048
Reserves distribution						0
Increase of revaluation reserve						0
Written-off revaluation reserve		-3991283				-3991283
<b>As of 31.12.2010</b>	<b>16981033</b>	<b>45988653</b>	<b>44524829</b>	<b>-6977235</b>	<b>-12290462</b>	<b>88226818</b>

	Share capital	Revaluation reserve of long term investments	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2008.</b>	<b>24161833</b>	<b>89767817</b>	<b>54628871</b>	<b>8446015</b>	<b>721561</b>	<b>177726098</b>
Profit in reserves			8724253	-8446015	-710493	-432254
Reserves distribution				-16828669		-16828669
Undistributed profit of the reporting period				-536333		<b>-536333</b>
Minority shareholders						<b>0</b>
Increase of revaluation reserve		0				<b>0</b>
Written-off revaluation reserve		-18652775				<b>-18652775</b>
<b>As of 31.12.2009.</b>	<b>24161833</b>	<b>71115042</b>	<b>63353124</b>	<b>-17365002</b>	<b>11068</b>	<b>141276066</b>
Profit in reserves			0	17365002	-17365002	<b>0</b>
Undistributed profit of the review period				-9927711		<b>-9927711</b>
Reserves distribution		0				<b>0</b>
Minority shareholders					-133821	<b>-133821</b>
Increase of revaluation reserve						<b>0</b>
Written-off revaluation reserve		-5679084				<b>-5679084</b>
<b>As of 31.12.2010.</b>	<b>24161833</b>	<b>65435958</b>	<b>63353124</b>	<b>-9927711</b>	<b>-17487755</b>	<b>125535449</b>

## ENCLOSURES TO THE ANNUAL REPORT

### ENCLOSURES TO STATEMENTS OF FINANCIAL POSITION

#### 1. ACCOUNTS RECEIVABLE (DEBTORS)

Accounts Receivable	As of 31.12.2010.		As of 31.12.2009.	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies' debts</b>	<b>2412860</b>	<b>3433190</b>	<b>2362952</b>	<b>3362178</b>
Incl. Debts of buyers and customers	2157221	3069449	1988220	2828982
Incl. Debts of related companies (subsidiaries)	183395	260948	0	0
Incl. Debts of buyers with factoring activities	33711	47966	348986	496562
Incl. Debts of associated enterprises	38533	54828	25746	36633
(Doubtful debtors debt)	/391076/	/182267/	/132432/	/188434/
<b>Other debtors</b>	<b>1077397</b>	<b>1532998</b>	<b>4286726</b>	<b>6099462</b>
Incl. Provision for VAT and unpaid VAT	110492	157216	21715	30898
Incl. Advance payments	1259	1791	9213	13109
Incl. VAT budget overpayments	910623	1295700	2252738	3205357
Incl. Various debtors	34034	48426	32206	45825
Incl. Overpaid salaries	93	132	18	26
Incl. Other overpaid taxes	3603	5127	5202	7402
Incl. Advance prepayment for Corporate income tax	921	1310	1810222	2575714
Incl. Debt for caused damages to the enterprise	0	0	115546	164407
Incl. Security amounts in auction	936	1332	10359	14740
Incl. Advance payments for services	15436	21963	29507	41985
Incl. Accrued income	<b>28878</b>	<b>41090</b>	<b>0</b>	<b>0</b>
<b>Short-term loans to employees</b>	<b>6129</b>	<b>8721</b>	<b>0</b>	<b>0</b>
<b>Future periods payments</b>	<b>107797</b>	<b>153381</b>	<b>114968</b>	<b>163585</b>
Incl. Press expenses	8524	12129	6837	9728
Incl. Various	35590	50640	13669	19449
Incl. Property insurance	48246	68648	65273	92875
Incl. Payment for ship freightage services	15119	21512	0	0
Incl. Rent payments	0	0	19085	27156
Incl. Publicity and Advertisement	318	452	397	565
Incl. Audit expenses	0	0	9707	13812
<b>Total Debtors:</b>	<b>3633061</b>	<b>5169380</b>	<b>6764646</b>	<b>9625224</b>



**2. ACCOUNTS PAYABLE (CREDITORS)**

CREDITORS	As of 31.12.2010.		As of 31.12.2009.	
	LVL	EUR	LVL	EUR
<b>Long-term creditors</b>	<b>27287818</b>	<b>38827067</b>	<b>1947068</b>	<b>2770428</b>
Other long-term borrowings	1469971	2091580	1924062	2737694
Other creditors	175146	249210	215146	306125
<b>Short-term borrowings from credit institutions</b>	<b>1486576</b>	<b>2115207</b>	<b>1187828</b>	<b>1690127</b>
Credit interests	29642	42177	6982	9934
<b>Borrowings from credit institutions (credit line)</b>	<b>13491025</b>	<b>19195999</b>	<b>13999273</b>	<b>19919171</b>
Short term debt from leasing "Hansalizings", "Unilizings"	569652	810542	417424	593941
Advance payments (from residents)	143843	204670	82169	116916
Advance payments (from non-residents)	41361580	58852226	7986840	11364249
Other borrowings (factoring)	33711	47966	348986	496562
Other borrowings	39990	56901	0	0
Other borrowings (from physical persons)	91375	130015	0	0
<b>Debts to suppliers and contractors</b>	<b>11002550</b>	<b>15655218</b>	<b>8644489</b>	<b>12300000</b>
Incl. Materials and gas	7396242	10523904	4132318	5879759
Incl. Services	1844330	2624245	1347056	1916688
Incl. Scrap, various services related to scrap delivery, processing	1549367	2204551	3151356	4483976
Incl. Fixed assets	211541	300996	984	1400
Incl. Medical department creditors	970	1380	3481	4953
Incl. Other Creditors	100	142	9294	13224
<b>Debts to associated enterprises</b>	<b>160347</b>	<b>228153</b>	<b>25886</b>	<b>36832</b>
<b>Accrued liabilities</b>	<b>1913939</b>	<b>2723290</b>	<b>108178</b>	<b>153923</b>
<b>Taxes and social security insurance payments</b>	<b>884627</b>	<b>1258711</b>	<b>974961</b>	<b>1387245</b>
Incl. Value added tax	19716	28053	60398	85939
Incl. State tax	689	980	619	881
Incl. Residents' Income tax	322487	458858	300607	427725
Incl. Real estate tax	5311	7557	0	0
Incl. Social tax	478358	680642	550112	782739
Incl. Nature resources tax	32707	46538	30048	42754
Incl. Corporate income tax	25359	36083	33177	47207
<b>Other creditors (liabilities)</b>	<b>846905</b>	<b>1205037</b>	<b>889859</b>	<b>1266155</b>
Incl. Payments for salaries	781054	1111340	856321	1218435
Incl. Deductions from salaries	32159	45758	32432	46147
Incl. Payments of the advance amount	2858	4067	1106	1574
Incl. Other creditors	30834	43873	0	0
<b>Total Creditors:</b>	<b>100988697</b>	<b>143693970</b>	<b>38759151</b>	<b>55149303</b>

**3. TAXES AND SECURITY PAYMENTS**

Tax Description	Balance as of 01.01.2010.		Recorded for year 2010		Paid or allocated to a different tax category for 12 months of 2010		Returned from the 2010 budget		Balance as of 31.12.2010.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Real estate tax	-2480	-3529	196346	279375	188671	268455	0	0	5195	7392
Real estate tax (Land)	-1984	-2823	86079	122479	83979	119491	0	0	116	165
Income tax	300606	427724	3616919	5146412	3595039	5115280	0	0	322486	458856
Social security tax	550113	782740	5559360	7910257	5631115	8012355	0	0	478358	680642
Business risk duty	619	881	8344	11872	8286	11790	0	0	677	963
Corporate income tax	-1778721	-2530892	53836	76602	74324	105754	1795105	2554204	21236	30216
Nature resources tax	30048	42754	141184	200887	138525	197103	0	0	32707	46538
Packing tax	-99	-141	0	0	0	0	0	0	-99	-141
Value added tax	53285	75818	972815	1384191	1321142	1879816	0	0	-295042	-419807
<b>TOTAL</b>	<b>-848613</b>	<b>-1207468</b>	<b>10634883</b>	<b>15132075</b>	<b>11041081</b>	<b>15710043</b>	<b>1795105</b>	<b>2554204</b>	<b>565634</b>	<b>804825</b>
PVN priekšnodoklis aktīvā	-2230409	-3173586	0	0	16965792	24140147	18489844	26308678	-706357	-1005055
Credit liabilities									884627	1258711
Tax overpayment									-318993	-453886

## ENCLOSURES TO STATEMENTS OF COMPREHENSIVE INCOME

### 4. NET TURNOVER (REVENUE)

Product Description	For 12 months of year 2010		For 12 months of year 2009	
	LVL	EUR	LVL	EUR
Rolled steel	192169256	273432217	157884842	224649891
Other metal ware	93981	133723	133826	190417
Services	529819	753865	127438	181328
Sold steam, gCal	24451	34791	23836	33916
Medical department	916703	1304351	1055080	1501244
Transportation services	7617	10838	4316	6141
Stevedoring services	4341852	6177899	2382742	3390336
Broker services	2328446	3313080	1729442	2460774
Freightage services	39070	55592	51413	73154
Forwarder and other services	2185858	3110196	4742898	6748536
Sports	527190	750124	424493	603999
Publicity and Advertisement	62661	89159	82147	116885
Beton (concrete) wares	499993	711426	438707	624224
Broken stone	353014	502294	1091	1552
Electric energy	72566	103252	72829	103626
<b>TOTAL</b>	<b>204152477</b>	<b>290482805</b>	<b>169155100</b>	<b>240686023</b>

**5. 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	111737364	158987945	64807464	92212714
Other third countries	92415113	131494859	104347636	148473310
<b>Total</b>	<b>204152477</b>	<b>290482805</b>	<b>169155100</b>	<b>240686023</b>

**6. PRODUCTION COSTS OF SOLD GOODS**

Cost Description	12 months for year 2010		12 months for year 2009	
	LVL	EUR	LVL	EUR
Materials	168654884	239974280	116448217	165690885
Salaries and wages	11473597	16325458	13181823	18756044
Social benefits deduction	2716441	3865147	3107167	4421100
Depreciation	6703804	9538654	6582467	9366007
Other costs	12801525	18214929	26032238	37040538
Write-off of nonmaterial values	67126	95512	67252	95691
<b>Total</b>	<b>202417377</b>	<b>288013980</b>	<b>165419164</b>	<b>235370265</b>

**7. SALES EXPENSES**

Cost Description	31.12.2010.		31.12.2010.	
	LVL	EUR	LVL	EUR
Packing materials	76120	108309	120581	171571
Transportation costs	1439956	2048873	1515518	2156388
Freight	156418	222563	129339	184033
Port handling charges	45463	64688	17358	24698
Advertising and marketing costs	34448	49015	50808	72293
Other sales costs	255167	363070	258085	367222
Logistics services costs	3607413	5132886	9980359	14200771
Costs related to L/C and factoring transactions	67881	96586	192563	273992
<b>Total</b>	<b>5682866</b>	<b>8085990</b>	<b>12264611</b>	<b>17450969</b>

**8. ADMINISTRATION EXPENSES**

Cost Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Salaries and social costs	4004013	5697197	3952967	5624565
Communication costs	107655	153179	131637	187303
Office supplies and office maintenance costs (transportation, security, public relation and other)	890494	1267059	906334	1289597
Legal and auditing fees	88341	125698	120929	172066
Presentation costs	333948	475165	169835	241653
Depreciation of fixed assets	233156	331751	226933	322897
Traveling expenses	111761	159022	107406	152825
Management training	12620	17957	4926	7009
Costs of bank account services	59746	85011	62297	88641
Costs related to stockholders	21538	30646	22272	31690
<b>Total</b>	<b>5863272</b>	<b>8342684</b>	<b>5705536</b>	<b>8118246</b>

**9. OTHER OPERATING INCOME**

Income Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Sale of current assets	1537835	2188142	637785	907486
Sale of fixed assets and liquidation	4000 97912	5691 139316	397412 341411	565466 485784
Written-off revaluation reserve of fixed assets	158100	224956	458680	652643
Received fine payments	23090	32854	42351	60260
Received discounts	617707	878918	0	0
Bad debt recovery	2541	3616	37145	52853
Currency exchange income	694192	987746	284871	405335 0
Other income from operating activity	4530897	6446886	3867276	5502638
Dotation (allowance)	631059	897916	1435920	2043130
Revenue from the provision for reduction	9000	12806	1001600	1425148
<b>Total</b>	<b>8306333</b>	<b>11818847</b>	<b>8504451</b>	<b>12100744</b>

**10. OTHER OPERATING COSTS**

Cost Description	31.12.2010.		31.12.2009.	
	LVL	EUR	LVL	EUR
Sales costs of current assets	848911	1207892	384907	547673
Costs related to the sale and liquidation of fixed assets	2800 65039	3984 92542	53703 33215	76412 47261
Fixed Assets value reduction	87000	123790	141775	201728
Provisions for bad debts	270459	384828	13195	18775
Written-off bad debtors	21754	30953	1802	2564
Compensation for damage and other allowances	68600	97609	297785	423710
Other costs	363687	517480	1606436	2285752
Costs of infrastructure maintenance	20974	29843	35378	50338
Costs not related to the operating activities	374239	532494	1270816	1808208
Training of new employees	47366	67396	34710	49388
Costs of auto maintenance	42926	61078	49584	70552
Costs of previous period	41265	58715	44239	62946
Costs related to production shutdown	1913228	2722278	0	
Paid fines	58696	83517	29683	42235
<b>Total</b>	<b>4226944</b>	<b>6014399</b>	<b>3997228</b>	<b>5687543</b>