

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

Quarterly Report

For 3 months of the year 2010

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Joint-Stock Company "Liepājas Metalurgs" Management Statement Regarding the Financial Statements for 3 months of 2010.

The Company's loss from business activities in the reporting period was 6.5 mill LVL (EUR 9.2 mill.), which was a loss of 3.3 LVL (EUR 4.7 mill.) in Q1 2009.

The net turnover in the reporting period was 36.7 million LVL (EUR 52.2 mill.), and it was 42.5 million LVL (EUR 60.5 mill.) in the first quarter 2009.

The net turnover and profit reduction associated with the global economic and financial crisis, as well as the sales price decreased faster than the price on raw materials.

The Company invested LVL 150 thousand (EUR 213.4 thousand) in its development during the reporting period. JSC "Liepājas Metalurgs" will continue attracting the funding to modernize the steel production process.

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 March 31, 2010 as well as the results of its operations and cash flow for 3 months of 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

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
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, 3 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: 2262

BALANCE SHEET

ASSETS	Enclosure Number	31.03.2010. LVL	31.03.2010. EUR	31.03.2009. LVL	31.03.2009. EUR
I.LONG-TERM INVESTMENTS					
I. Intangible investments					
1. Other intangible investments		55325	78720	75455	107363
2. Advance payments for intangible investments		0	0	0	0
I. TOTAL:		55325	78720	75455	107363
II. Fixed assets					
1. Land, buildings and constructions and long-term sites		50511412	71871264	50666138	72091420
2. Long-term investments in rented fixed assets		0	0	0	0
3. Technological equipment and machinery		28153593	40058954	29425793	41869131
4. Other fixed assets and inventory		2166898	3083218	2795675	3977887
5. Fixed assets formation and costs of unfinished construction sites		1508337	2146170	753025	1071458
6. Advance payments for fixed assets		40943	58257	124465	177098
II. TOTAL:		82381183	117217863	83765096	119186994
III. Investment properties					
1. Investment properties		5009000	7127165	4800789	6830907
IV. Long-term financial investments					
1. Share in the related companies (subsidiaries)		9069006	12904033	9069006	12904033
2. Loans to the related companies (subsidiaries)		41260	58708	41765	59426
3. Share in the capital of associated companies		649843	924643	649843	924643
4. Other loans		0	0	167000	237620
IV. TOTAL:	1	9760109	13887384	9927614	14125722
Section 1 total amount:		97205617	138311132	98568954	140250986
2. CURRENT ASSETS					
I. Stock (Inventories)					
1. Raw materials, basic and auxiliary materials		11893823	16923385	19250412	27390869
2. Unfinished products, Work-in-Process		774778	1102410	619326	881222
3. Finished products and goods for sales		15711607	22355603	16277505	23160803
4. Incompleted orders		142364	202566	3989	5676
5. Advance payments for goods		3242344	4613440	1343395	1911479
I. TOTAL:		31764916	45197404	37494627	53350048
II. Accounts receivable (Debtors)					
1. Trade accounts receivable		3894115	5540826	9091096	12935464
2. Debt of related companies (subsidiaries)		242471	345005	256883	365512
3. Debt of associated enterprises		23626	33617	44322	63065
4. Other debtors (accounts receivable)		4001717	5693930	2583968	3676655
5. Shortterm loans		0	0	0	0
6. Prepaid expenses		79016	112430	90458	128710
II. TOTAL:	2	8240945	11725808	12066727	17169406
III. Short-term financial investments					
III. TOTAL:		0	0	0	0
IV. Cash		4401559	6262854	3514696	5000962
IV. TOTAL:		4401559	6262854	3514696	5000962
Section 2 total amount		44407420	63186066	53076050	75520415
TOTAL ASSETS		141613037	201497198	151645004	215771401

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.03.2010. LVL	31.03.2010. EUR	31.03.2009. LVL	31.03.2009. EUR
1. SHAREHOLDERS' EQUITY					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		49881421	70974868	62966795	89593678
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		44524829	63353124	38393389	54628871
TOTAL:		44524829	63353124	38393389	54628871
4. Retained earnings a) undistributed profit from the previous years		-12429482	-17685560	6131440	8724253
4. Retained earnings b) undistributed profit of the reporting year		-6499093	-9247376	-3318670	-4722042
section 1 total amount:		92458708	131556889	121153987	172386593
2. PROVISIONS		0	0	0	0
1. Provisions for anticipated taxes		1321598	1880465	0	0
2. Other provisions		830000	1180984	1831600	2606132
section 2 total amount:	3	2151598	3061448	1831600	2606132
3. LIABILITIES (Accounts Payable)					
I. Long-term Creditors (Accounts Payable).		0	0	0	0
I. TOTAL:		0	0	0	0
II. Short-term Creditors (Accounts payable)					
1. Loans from credit institutions		13196551	18777000	15574839	22160999
2. Other loans		348986	496562	2670415	3799658
3. Advance payments received from customers		21795349	31011988	3445072	4901896
4. Suppliers and contractors trade account payable		10006532	14238012	4988260	7097655
5. Accrued liabilities (Payable bills of exchange)		0	0	0	0
6. Payable (debt) to related companies (subsidiaries)		229846	327041	248919	354180
7. Payable (debt) to associated companies		11636	16557	0	0
8. Taxes and state social insurance payments		680057	967634	783536	1114871
9. Other liabilities		733774	1044066	948376	1349417
II. TOTAL:	4	47002731	66878861	28659417	40778677
Section 3 total amount:		47002731	66878861	28659417	40778677
TOTAL LIABILITIES AND EQUITY		141613037	201497198	151645004	215771401

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	3 months 2009 LVL	3 months 2009 EUR
1	2	3	4	5	6	7
1	Net turnover	5, 6	36659585	52161890	42493673	60463049
2	Production costs of goods sold	7	-39629901	-56388269	-41892261	-59607317
3	Gross profit or loss (from turnover)		-2970316	-4226379	601412	855732
4	Sales costs	8	-2151447	-3061233	-1974921	-2810059
5	Administration costs	9	-1020121	-1451501	-1334978	-1899503
6	Other operating income	10	367313	522639	560743	797865
7	Other operating costs	11	-541830	-770955	-1006452	-1432052
8	Interest income and other similar income	12	6500	9249	44246	62956
9	Interest payments and similar expenses		-125537	-178623	-145743	-207374
10	Profit or loss before extraordinary items and taxes		-6435438	-9156803	-3255693	-4632434
11	Profit or loss before taxes		-6435438	-9156803	-3255693	-4632434
12	Income tax for the reporting period		0	0	0	0
13	Other taxes		-63655	-90573	-62977	-89608
14	Reporting period profit or loss after taxes		-6499093	-9247376	-3318670	-4722042

The JSC "Liepājas Metalurgs" demonstrated profit at the rate of -0.38 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		3 months 2009	
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Cash received from buyers	36372288	51753103	44017313	62630994
Cash received from other business activities	243681	346727	312740	444989
Interest received from operating activity	6118	8705	43859	
VAT overpayment received	2861303	4071267	4070482	5791774
Cash paid to suppliers and employees	-49703096	-70721134	-46929912	-66775249
Cash received from the core business activity	-10219706	-14541332	1514482	2154914
Interest payment	-132519	-188558	-145744	-207375
Other tax payments	-13500	-19209	-1914287	-2723785
Net cash flow from the core business activity	-10365725	-14749098	-545549	-776246
CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of fixed assets and intangible assets	-666074	-947738	-118340	-168383
Sale of fixed assets and intangible assets	0	0	130000	184973
Net cash flow from investment operations	-666074	-947738	11660	16591
CASH FLOW FROM FINANCING ACTIVITIES				
Short-term borrowings in net value (credit line)	10981561	15625354	2011425	2862000
Repayment of loans and interests from related companies	616	876	622	885
Costs not associated with operating activities	-251464	-357801	-545365	-775984
Net cash flow from financial activities	10730713	15268429	1466682	2086900
Result of foreign currency exchange rate fluctuations	-31983	-45508	-7722	-10987
Net growth of cash and its equivalents	-333068	-473913	925071	1316257
Cash and its equivalents at the beginning of accounting period	4734627	6736767	2589625	3684704
Cash and its equivalents at the end of accounting period	4401559	6262854	3514696	5000962

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
As of 31.12.2008.	16981033	63016797	0	38393389	6131440	0	124522659
Previous year profit put in reserves				6131440	-6131440		0
Undistributed profit of the reporting period					-12429482		-12429482
Increase of fixed capital							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-13109245					-13109245
As of 31.12.2009.	16981033	49907552	0	44524829	-12429482	0	98983932
Previous year profit put in reserves							0
Undistributed profit of the review period					-6478908		-6478908
Reserves distribution							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-26131					-26131
As of 31.03.2010.	16981033	49881421	0	44524829	-18908390	0	92478893

	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
As of 31.12.2008.	24161833	89664824	0	54628871	8724253	0	177179781
Previous year profit put in reserves				8724253	-8724253		0
Undistributed profit of the reporting period					-17685560		-17685560
Increase of fixed capital							0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-18652775					-18652775
As at 31.12.2009.	24161833	71012049	0	63353124	-17685560	0	140841447
Previous year profit put in reserves							0
Undistributed profit of the review period					-9218656		-9218656
Reserves distribution							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-37181					-37181
As of 31.03.2010.	24161833	70974868	0	63353124	-26904215	0	131585610

ENCLOSURES TO BALANCE SHEET

1. INVESTMENT CHANGES

Long-Term Financial Investments (LVL)

Company Name, Address, Registration Number	Ownership in % and LVL	
	31.03.2010.	31.03.2009.
Related Companies (Subsidiaries)		
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-Hockey 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
Total Investments in Related Companies, LVL	9069006	9069006
Associated Companies		
"Elme Messer Metalurgs", Ltd. 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
Total Investments in Associated Companies, LVL	649843	649843

Long-Term Financial Investments (EUR)

Company Name, Address, Registration Number	Ownership in % and EUR	
	31.03.2010.	31.03.2009.
Related Companies (Subsidiaries)		
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-Hockey 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
Total Investments in Related Companies, EUR	12904033	12904033
Associated Companies		
"Elme Messer Metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003461570	49 615169	49 615169
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	50 18498	50 18498
JSC "Sātiņi LM" Brīvības iela 93, Liepāja; 42103037207	50 120233	50 120233
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50 170745	50 170745
Total Investments in Associated Companies, EUR	924643	924643

2. ACCOUNTS RECEIVABLE (DEBTORS)

DEBTORS	As of 31.03.2010.		As of 31.03.2009.	
	LVL	EUR	LVL	EUR
Customers and affiliated companies debts	4160212	5919448	9392301	13364040
Incl. Debts of buyers and customers	3545130	5044265	6619544	9418763
Incl. Debts of buyers with factoring activities	348986	496562	2471552	3516702
Incl. Debts of related companies (subsidiaries)	242471	345004	256883	365512
Incl. Debts of associated enterprises	23626	33617	44322	63065
Incl. Doubtful debtors debt	128098	182267	154498	219831
Incl. Stocks doubtful debtors debt	-128098	-182267	-154498	-219831
Other debtors	4001717	5693930	2583968	3676655
Incl. Accrued and unpaid VAT	12592	17916	0	0
Incl. Advance payments	8513	12113	3809	5420
Incl. VAT budget overpayments	1992349	2834858	656023	933437
Incl. Debt for caused damages to the enterprise	115546	164407	24871	35388
Incl. Various debtors	15314	21790	29875	42508
Incl. Overpaid salaries	33	46	331	471
Incl. Advance prepayment for services	37803	53789	15222	21659
Incl. Advance prepayment for Corporate income tax	1808600	2573406	1841771	2620604
Incl. Overpaid taxes	967	1376	2066	2940
Incl. Security deposit	10000	14229	10000	14229
Future periods payments	79016	112430	90458	128710
Incl. Press expenses	4955	7050	7442	10589
Incl. Miscellaneous	21868	31115	23453	33371
Incl. Property insurance	52194	74265	59563	84751
Total Debtors:	8240945	11725808	12066727	17169406

3. PROVISIONS

	Provisions for anticipated vacations (4318)		Provisions for doubtful debtors (4319)		Tax provisions	
	LVL	EUR	LVL	EUR	LVL	EUR
On 31.12.2009.	1831600	2606132	154498	219831	1321598	1880465
Increase	0	0	0	0	0	0
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
On 31.03.2010.	830000	1180984	128098	182267	1321598	1880465

4. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 31.03.2010.		As of 31.03.2009.	
	LVL	EUR	LVL	EUR
Short-term borrowing from credit institutions (credit line)	13196551	18777000	15574839	22160999
Credit interests	0	0	0	0
Advance payments (residents)	73184	104132	197113	280467
Advance payments (non residents)	21722165	30907856	3247959	4621429
Other borrowing (factoring)	348986	496562	2670415	3799658
Debts to suppliers and contractors	10006532	14238013	4988260	7097655
Incl. Materials and gas	3378642	4807375	3639791	5178956
Incl. Services	776288	1104559	826828	1176470
Incl. Scrap, various services related to scrap delivery, processing	5812159	8269958	507284	721800
Incl. Fixed assets	7923	11273	11248	16004
Incl. Medical department creditors	1804	2566	2247	3197
Incl. Other Creditors	29716	42282	862	1227
Debts to related enterprises (subsidiaries)	229846	327042	248919	354180
Debts to associated enterprises	11636	16557	0	0
Taxes and social insurance payments	680057	967634	783536	1114871
Incl. State tax	574	817	628	894
Incl. Residents' Income tax	251793	358269	263943	375557
Incl. VAT for the previous period	0	0	1235	1757
Incl. Social Security tax	393741	560243	504749	718193
Incl. Nature resources tax	33949	48305	12981	18470
Other creditors (liabilities)	733774	1044066	948376	1349417
Incl. Payments for salaries	711388	1012215	912253	1298019
Incl. Deductions from salaries	22386	31852	36123	51398
Total Creditors:	47002731	66878861	28659417	40778677

ENCLOSURES TO PROFIT AND LOSS STATEMENT

5. NET TURNOVER (REVENUE)

Product Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Rolled steel	36263063	51597690	42063107	59850409
Consumer goods	0	0	45627	64921
Services	136197	193791	51565	73370
Sold steam, gCal	8516	12118	6743	9594
Medical department	228550	325198	310780	442200
Transportation services	23258	33094	15851	22554
TOTAL	36659585	52161890	42493673	60463049

6. NET TURNOVER BY GEOGRAPHIC MARKETS

Market	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
European Union countries	8392164	11940973	21343971	30369735
Other third countries	28267421	40220917	21149702	30093315
Total	36659585	52161890	42493673	60463049

7. PRODUCTION COSTS OF SOLD GOODS

Cost Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Materials	30351165	43185817	27186052	38682267
Salaries and wages	2428847	3455938	4209462	5989525
Social benefits deductions	570504	811754	989508	1407943
Depreciation	1370135	1949526	2732911	3888582
Other costs	4909250	6985233	6774328	9639000
Total	39629901	56388269	41892261	59607317

8. SALES COSTS

Cost Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Packing materials	26447	37631	27040	38474
Transportation costs	148295	211004	668640	951389
Freight	1285728	1829426	544566	774848
Port handling charges	561835	799420	572799	815020
Advertising and marketing costs	7851	11171	7196	10239
Other sales costs (insurance, storage/warehousing, depreciation, and other)	81529	116005	82161	116905
Costs related to factoring	39762	56576	72519	103185
Total	2151447	3061234	1974921	2810059

9. ADMINISTRATION COSTS

Costs Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Salaries and social costs	666751	948701	826658	1176228
Communication costs	20290	28871	21096	30017
Office supplies and office maintenance costs	187191	266349	266724	379514
Legal and auditing fees	9609	13673	26413	37582
Presentation costs	34040	48434	26232	37325
Depreciation of fixed assets	55162	78489	138602	197213
Management traveling expenses	25086	35694	23480	33409
Management training	2252	3205	1889	2688
Costs for bank account services	15478	22023	3884	5526
Costs related to stockholders	4262	6064	0	0
Total	1020121	1451502	1334978	1899503

10. OTHER OPERATING INCOME

Income Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Sale of current assets	115911	164926	161701	230080
Sale of fixed assets and liquidation	0 592	0 843	130000 1427	184973 2030
Received fines	11332	16124	30550	43469
Written-off revaluation reserve of fixed assets	26131	37181	50003	71148
Bad debt recovery	0	0	37145	52853
Other income from operating activity	213346	303565	149917	213313
Total	367313	522639	560743	797865

11. OTHER OPERATING COSTS

Costs Description	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Sales costs of current assets	111000	157939	147641	210074
Costs related to the sale and liquidation of fixed assets	0	0	14544	20694
Currency exchange loss	0	0	55057	78339
Doubtful debts write-off	0	0	215	306
Paid compensations and other benefits	16472	23438	81331	115724
Other costs	46090	65581	107865	153478
Paid fines	393	559	114	162
Costs not associated with operating activities	250936	357050	554307	788708
Costs not related to the operating activities	62795	89350	0	0
Costs of infrastructure maintenance	13557	19289	13506	19217
Training costs of the new staff	749	1066	4581	6518
Costs of previous period	28722	40867	177	252
Costs of representative auto maintenance	11115	15816	10556	15020
Total	541830	770954	1006452	1432052

12. INTEREST INCOME

Income	For 3 months of year 2010		For 3 months of year 2009	
	LVL	EUR	LVL	EUR
Income from loans to business persons	382	543	386	549
Income from bank accounts	89	126	1130	1608
Income from deposit investments	6030	8580	42730	60799
Total Interest Income	6500	9249	44246	62956