

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

Consolidated  
Quarterly Report

For 3 months of the year 2012  
(01.01.2012. - 31.03.2012.)

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## 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 castings, 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 - 91.6%. 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. "LM Resurss"

number of shares - 100%. Scrap purchase.

Ltd. "Liepājas naglas"

number of shares - 100%. Production of nails and wire rod

LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) daughter company Ltd. "Liepājas ostas celtnieks LM"

number of shares - 100% owns the LSEZ JSC "Liepājas osta LM". Construction.

### Companies not included in consolidation:

JSC "Sātiņi Enerģo LM"

number of shares - 50%. limestone extraction, processing, and realization.

LSEZ Ltd. "Elme-Messer-Metalurģs"

number of shares - 13%. production of industrial gas.

Ltd. "Metalurģs and Duna"

number of shares - 50%. sale of electricity and rentals of premises, scrap purchase.

### Minority shareholders

Minority shareholders of the companies involved in the consolidation are:

|   |  |
|---|--|
| Ltd. "Metalurģs and Duna"                       | 50% of shares - JSC "Baltik invest Liepāja". |
| LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) | 8.4% of shares - physical person.            |
| Ltd. "Sport Club Liepājas metalurģs"            | 5% of shares - Ltd. "Pērle LM"               |
| Ltd. "Ice-Hockey Hall Liepājas metalurģs"       | 5% shares - Liepājas City Council            |

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

The Annual Report is prepared in accordance with the law "On Accounting" and "On Annual Report" and is also in 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 Rate 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 Statement of Comprehensive income** 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 Statement of Comprehensive income 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 quarterly 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 Statement of Financial Position 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 Standards. As a result of this revaluation, the value increase is 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. Corresponding profit or loss caused by the true value adjustments to the Investment Properties has been reflected in the Statement of Comprehensive income.

**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 Quarterly 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 on the transaction corresponding date. Assets and liabilities reported in a foreign currency are recalculated into Latvian Lats based on the official exchange rate at the Bank of Latvia. Foreign currency exchange profit or loss is reflected in the proper period Statement of Comprehensive income.

**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 thought to cover certain kinds of losses, liabilities and expenses, which are related to the reporting period or previous periods and which values on the Statement of Financial Position preparation date have either expected or already known values, however, the payment date is not known. Provisions for doubtful debtor dues are not reflected in the Statement of Financial Position, but the debtors total amount in the Statement of Financial Position is reduced by this amount because usually these amounts are the same.

**JOINT-STOCK COMPANY "LIEPĀJAS METALURĢS" MANAGEMENT  
STATEMENT REGARDING THE CONSOLIDATED QUARTERLY  
REPORT FOR 3 MONTHS OF THE YEAR 2012.**

The Company's consolidated non-audited Net Turnover in the reporting period was LVL 66.8 million (EUR 95 mill.), which was LVL 17.4 million (EUR 24.7 mill.) less than in 3 months of the year 2011.

The Company's profit from business activities in the reporting period was 521 688 LVL (EUR 742 295), which was a profit of 2 million LVL (EUR 2.8 mill.) in the same period in previous year

Net Turnover and Profit decrease is explained with the tendency in the product markets.

There were 1.4 million LVL (EUR 2 million) invested during the reporting period. The Company continued mastering its skills working on the new technology related to its steel melting practice. Also continued the development of the cargo area on the pier number 42/43 and the railroad extension for the portable crane.

In the name of the JSC "Liepājas Metalurģs"

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

## **STATEMENT REGARDING THE MANAGEMENT RESPONSIBILITY**

The JSC "Liepājas Metalurģs" (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 March 31, 2012 as well as the results of its operations and cash flow for 3 months of the year 2012. 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 business activity's continuation

In the name of the JSC "Liepājas Metalurģs"

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

## STATEMENTS OF FINANCIAL POSITION (Consolidated ) for 3 months of the year 2012

| ASSETS   | Enclosure<br>Number | As of 31.03.2012. |                  | As of 31.03.2011. |                  |
|--|---------------------|-------------------|------------------|-------------------|------------------|
|  |                     | LVL               | EUR              | LVL               | EUR              |
| <b>1. LONG-TERM INVESTMENTS</b>                                      |                     |                   |                  |                   |                  |
| <b>I. Intangible investments</b>                                     |                     |                   |                  |                   |                  |
| 1. Other intangible assets   |                     | 23904             | 34012            | 40657             | 57850            |
| 2. Concessions, patents, licenses, trademarks and similar rights     |                     | 6463              | 9196             | 4418              | 6286             |
| 3. Advance payments for intangible investments                       |                     | 1595              | 2269             | 0                 | 0                |
| 4. Goodwill  |                     | 0                 | 0                | 49888             | 70984            |
| <b>I.TOTAL:</b>  |                     | <b>31962</b>      | <b>45478</b>     | <b>94963</b>      | <b>135120</b>    |
| <b>II. Fixed assets</b>  |                     |                   |                  |                   |                  |
| 1. Land, buildings and constructions, and long-term sites            |                     | 52833026          | 75174623         | 52483263          | 74676955         |
| 2. Long-term investments in rented fixed assets                      |                     | 4658205           | 6628029          | 4611765           | 6561950          |
| 3. Technological equipment and machinery                             |                     | 28149177          | 40052670         | 28359731          | 40352262         |
| 4. Other fixed assets and inventory                                  |                     | 2066724           | 2940683          | 2172438           | 3091101          |
| 5. Fixed assets formation and costs of unfinished construction sites |                     | 75257521          | 107081805        | 40601476          | 57770696         |
| 6. Advance payments for fixed assets                                 |                     | 1013855           | 1442586          | 34240             | 48719            |
| <b>II. TOTAL:</b>  |                     | <b>163978508</b>  | <b>233320397</b> | <b>128262913</b>  | <b>182501683</b> |
| <b>III. Investment properties</b>                                    |                     |                   |                  |                   |                  |
| Investment properties  |                     | 5024000           | 7148508          | 4922000           | 7003375          |
| <b>IV. Long-term financial investments</b>                           |                     |                   |                  |                   |                  |
| 1. Share in the capital of related companies (subsidiaries)          |                     | 0                 | 0                | 2000              | 2846             |
| 2. Share in the capital of associated companies                      |                     | 1522959           | 2166975          | 1535959           | 2185473          |
| 3. Loans to the related companies (subsidiaries)                     |                     | 81500             | 115964           | 0                 | 0                |
| 4. Loans to the associated companies                                 |                     | 0                 | 0                | 0                 | 0                |
| 5. Other loans   |                     | 671452            | 955390           | 665910            | 947505           |
| <b>IV. TOTAL:</b>  |                     | <b>2275911</b>    | <b>3238330</b>   | <b>2203869</b>    | <b>3135823</b>   |
| <b>Section 1 total amount:</b>                                       |                     | <b>171310381</b>  | <b>243752712</b> | <b>135483745</b>  | <b>192776002</b> |
| <b>2. CURRENT ASSETS</b>   |                     |                   |                  |                   |                  |
| <b>I. Stock (Inventories)</b>  |                     |                   |                  |                   |                  |
| 1. Raw materials, basic and auxiliary materials                      |                     | 12939218          | 18410849         | 8939650           | 12719976         |
| 2. Unfinished products, Work in Process                              |                     | 3057214           | 4350024          | 65397             | 93052            |
| 3. Finished products and goods for sales                             |                     | 54951268          | 78188610         | 21638194          | 30788376         |
| 4. Incompleted orders  |                     | 154774            | 220224           | 182584            | 259794           |
| 5. Advance payments for goods  |                     | 638415            | 908383           | 13882950          | 19753658         |
| 6. Labour animals and productive animals                             |                     | 110               | 157              | 110               | 157              |
| <b>I. TOTAL:</b>   |                     | <b>71740999</b>   | <b>102078245</b> | <b>44708885</b>   | <b>63615012</b>  |
| <b>II. Accounts receivable (Debtors)</b>                             |                     |                   |                  |                   |                  |
| 1. Trade accounts receivable   |                     | 7555344           | 10750286         | 2344664           | 3336156          |
| 2. Debt of related enterprises                                       |                     | 0                 | 0                | 3421              | 4868             |
| 3. Debt of associated enterprises                                    |                     | 85283             | 121347           | 51538             | 73332            |
| 4. Other debtors (accounts receivable)                               |                     | 1517401           | 2159067          | 794082            | 1129877          |
| 5. Short-term loans to co-owners and management of the company       |                     | 6575              | 9355             | 0                 | 0                |
| 6. Prepaid expenses  |                     | 71535             | 101785           | 109410            | 155676           |
| <b>II.TOTAL:</b>   | <b>1</b>            | <b>9236138</b>    | <b>13141840</b>  | <b>3303115</b>    | <b>4699909</b>   |
| <b>III. Short-term financial investments</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>  |                     | 630572            | 897223           | 5486692           | 7806859          |
| <b>IV. TOTAL:</b>  |                     | <b>630572</b>     | <b>897223</b>    | <b>5486692</b>    | <b>7806859</b>   |
| <b>Section 2 total amount</b>  |                     | <b>81607709</b>   | <b>116117309</b> | <b>53498692</b>   | <b>76121781</b>  |
| <b>TOTAL ASSETS</b>  |                     | <b>252918090</b>  | <b>359870021</b> | <b>188982437</b>  | <b>268897782</b> |



| LIABILITIES AND SHAREHOLDERS' EQUITY                                  | Enclosure<br>Number | As of 31.03.2012. |                  | As of 31.03.2011. |                  |
|---|---------------------|-------------------|------------------|-------------------|------------------|
|   |                     | LVL               | EUR              | LVL               | EUR              |
| <b>1. SHAREHOLDERS' EQUITY</b>  |                     |                   |                  |                   |                  |
| 1. Share capital (fixed capital)                                      |                     | 16981033          | 24161833         | 16981033          | 24161833         |
| 2. Long-term investments revaluation reserve                          |                     | 40399873          | 57483840         | 44787478          | 63726840         |
| 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 |                     | -15382240         | -21886956        | -19224017         | -27353312        |
| 4. Retained earnings: b) undistributed profit of the reporting year   |                     | 664441            | 945414           | 2014798           | 2866799          |
| 4. Retained earnings: c) Minority shareholders                        |                     | -142753           | -203119          | -60017            | -85396           |
| 4. Retained earnings: b+c undistributed profit of the reporting year  |                     | <b>521688</b>     | <b>742295</b>    | <b>1954781</b>    | <b>2781403</b>   |
| Section 1 total amount:   |                     | <b>87045183</b>   | <b>123854137</b> | <b>89024104</b>   | <b>126669888</b> |
| Minority shareholders   |                     | <b>394050</b>     | <b>560683</b>    | <b>403806</b>     | <b>574564</b>    |
| <b>2. PROVISIONS</b>  |                     |                   |                  |                   |                  |
| 1. Provisions for anticipated taxes                                   |                     | 1625772           | 2313265          | 1661495           | 2364094          |
| 2. Other provisions   |                     | 932333            | 1326590          | 929203            | 1322137          |
| Section 2 total amount:   |                     | <b>2558105</b>    | <b>3639855</b>   | <b>2590698</b>    | <b>3686231</b>   |
| <b>3. LIABILITIES (Accounts payable)</b>                              |                     |                   |                  |                   |                  |
| <b>I. Long-term Creditors (Accounts payable)</b>                      |                     |                   |                  |                   |                  |
| 1. Loans from credit institutions                                     |                     | 51019828          | 72594675         | 36155687          | 51444908         |
| 2. Other loans  |                     | 2737660           | 3895339          | 1469971           | 2091580          |
| 3. Other liabilities  |                     | 135146            | 192295           | 175146            | 249210           |
| <b>I. TOTAL:</b>  |                     | <b>53892634</b>   | <b>76682310</b>  | <b>37800804</b>   | <b>53785698</b>  |
| <b>II. Short-term Creditors (Accounts payable)</b>                    |                     |                   |                  |                   |                  |
| 1. Loans from credit institutions                                     |                     | 32322988          | 45991468         | 12695572          | 18064172         |
| 2. Other loans  |                     | 3017555           | 4293594          | 543433            | 773235           |
| 3. Advance payments received from customers                           |                     | 29287006          | 41671655         | 24903121          | 35433949         |
| 4. Suppliers and contractors trade account payable                    |                     | 41325160          | 58800405         | 19564210          | 27837363         |
| 5. Accrued liabilities (payable bills of exchange)                    |                     | 117244            | 166823           | 13043             | 18559            |
| 6. Payable (debt) to related companies                                |                     | 0                 | 0                | 0                 | 0                |
| 7. Payable (debt) to associated companies                             |                     | 840378            | 1195750          | 12                | 17               |
| 8. Taxes and state social insurance payments                          |                     | 1150543           | 1637075          | 730001            | 1038698          |
| 9. Other liabilities  |                     | 966344            | 1374984          | 713633            | 1015408          |
| 10. Deferred income   |                     | 0                 | 0                | 0                 | 0                |
| <b>II. TOTAL:</b>   |                     | <b>109027218</b>  | <b>155131755</b> | <b>59163025</b>   | <b>84181401</b>  |
| Section 3 total amount:   | 2                   | <b>162919852</b>  | <b>231814065</b> | <b>96963829</b>   | <b>137967099</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                   |                     | <b>252917190</b>  | <b>359868740</b> | <b>188982437</b>  | <b>268897782</b> |

In the name of the JSC "Liepājas Metalurģs"

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

## STATEMENTS OF COMPREHENSIVE INCOME (Consolidated) for 3 months of the year 2012

| No. | Parameter designation                               | Enclosure Number | As of 31.03.2012. |               | As of 31.03.2011. |                |
|-----|---|------------------|-------------------|---------------|-------------------|----------------|
|     |   |                  | LVL               | EUR           | LVL               | EUR            |
| 1   | Net turnover  | 3, 4             | 66777658          | 95016047      | 84167216          | 119759159      |
| 2   | Production costs of goods sold                      | 5                | -62311361         | -88661079     | -79815019         | -113566541     |
| 3   | Gross profit or loss (from turnover)                |                  | 4466297           | 6354968       | 4352197           | 6192618        |
| 4   | Sales costs   | 6                | -3200268          | -4553571      | -2200136          | -3130511       |
| 5   | Administration costs                                | 7                | -1635130          | -2326580      | -1384813          | -1970411       |
| 6   | Other operating income                              | 8                | 2281698           | 3246564       | 3656088           | 5202145        |
| 7   | Other operating costs                               | 9                | -1064304          | -1514368      | -2234278          | -3179091       |
| 8   | Interest income and other similar income            |                  | 737               | 1049          | 6206              | 8830           |
| 9   | Interest payments and similar expenses              |                  | -250606           | -356580       | -165589           | -235612        |
| 10  | Profit or loss before extraordinary items and taxes |                  | 598424            | 851481        | 2029675           | 2887967        |
| 11  | Other taxes   |                  | -76736            | -109185       | -74895            | -106566        |
| 12  | Profit or loss after taxes for the reporting period |                  | <b>521688</b>     | <b>742295</b> | <b>1954780</b>    | <b>2781401</b> |

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

In the name of the JSC "Liepājas Metalurģs"

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

## CASH FLOW STATEMENT (by direct method) (Consolidated) for 3 Months of the year 2012

|   | As of 31.03.2012. |                  | As of 31.03.2011. |                 |
|---|-------------------|------------------|-------------------|-----------------|
|   | LVL               | EUR              | LVL               | EUR             |
| <b>OPERATING CASH FLOW</b>                                      |                   |                  |                   |                 |
| Cash received from buyers                                       | 59532925          | 84707721         | 69638893          | 99087218        |
| Cash received from other business activities                    | 250837            | 356909           | 204231            | 290595          |
| VAT overpayment received  | 740162            | 1053156          | 2638              | 3754            |
| Cash paid to suppliers and employees                            | -71149553         | -101236693       | -63868025         | -90876012       |
| <b>Cash received from the core business activity</b>            | <b>-10625629</b>  | <b>-15118908</b> | <b>5977737</b>    | <b>8505553</b>  |
| Received interests from the core business activity              | 909               | 1293             | 5408              | 7695            |
| Paid interests  | -372231           | -529637          | -224759           | -319803         |
| Corporate income tax payments                                   | -15970            | -22723           | -1122             | -1596           |
| Other tax payments  | -546260           | -777258          | -675967           | -961814         |
|   |                   |                  |                   |                 |
| <b>Net cash flow from the core business activity</b>            | <b>-11559181</b>  | <b>-16447233</b> | <b>5081297</b>    | <b>7230034</b>  |
|   |                   |                  |                   |                 |
| <b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>                     |                   |                  |                   |                 |
| Acquisition of fixed assets                                     | -932862           | -1327343         | -801581           | -1140547        |
| Sale of fixed assets and intangible assets                      | 1027              | 1461             | -520616           | -740770         |
| <b>Net cash flow from investment operations</b>                 | <b>-931835</b>    | <b>-1325882</b>  | <b>-1322197</b>   | <b>-1881317</b> |
|   |                   |                  |                   |                 |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                      |                   |                  |                   |                 |
| Short term borrowings, net value (credit line) net worth        | 11811676          | 16806501         | -2193149          | -3120570        |
| Long term borrowings  | 235000            | 334375           | 104612            | 148849          |
| Paid liabilities for financial leasing                          | -196346           | -279375          | 0                 | 0               |
| Repayment of loans of associated and related companies          | 0                 | 0                | 67265             | 95709           |
| Long term loan repayments                                       | -434716           | -618545          | -39990            | -56901          |
| Costs not associated with operating activities                  | -17536            | -24951           | -23341            | -33211          |
| Other funding and grants received                               | 74924             | 106607           | 121648            | 173090          |
| <b>Net cash flow from financing activities</b>                  | <b>11473002</b>   | <b>16324611</b>  | <b>-1962955</b>   | <b>-2793033</b> |
| Result of foreign currency exchange rate fluctuations           | -63197            | -89921           | -173725           | -247188         |
| <b>Net growth of cash and its equivalents</b>                   | <b>-1081211</b>   | <b>-1538425</b>  | <b>1622420</b>    | <b>2308496</b>  |
|   |                   |                  |                   |                 |
| Cash and its equivalents at the beginning of accounting period  | 1711783           | 2435648          | 3864272           | 5498364         |
| <b>Cash and its equivalents at the end of accounting period</b> | <b>630572</b>     | <b>897223</b>    | <b>5486692</b>    | <b>7806859</b>  |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, LVL

|  | 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 |
|--|-----------------|--|----------------------------|-----------------|---|---|----------------------|
|  | LVL             | LVL  | LVL                        | LVL             | LVL                                     | LVL                                     | LVL                  |
| <b>As of 01.01.2011.</b>                     | <b>16981033</b> | <b>45988653</b>                              | <b>0</b>                   | <b>44524829</b> | <b>-6977235</b>                         | <b>-12290462</b>                        | <b>88226818</b>      |
| Profit in reserves                           |                 |  |                            |                 | 6977235                                 | -6977235                                | 0                    |
| Undistributed profit of the reporting period |                 |  |                            |                 | 3886052                                 |   | 3886052              |
| Minority shareholders                        |                 |  |                            |                 |   | -110517                                 | -110517              |
| Increase of revaluation reserve              |                 |  |                            |                 |   |   | 0                    |
| Written-off revaluation reserve              |                 | -5513804                                     |                            |                 |   |   | -5513804             |
| <b>As of 31.12.2011.</b>                     | <b>16981033</b> | <b>40474849</b>                              | <b>0</b>                   | <b>44524829</b> | <b>3886052</b>                          | <b>-19378214</b>                        | <b>86488549</b>      |
| Profit in reserves                           |                 |  |                            |                 | -3886052                                | 3886052                                 | 0                    |
| Undistributed profit of the review period    |                 |  |                            |                 | 521688                                  |   | 521688               |
| Minority shareholders                        |                 |  |                            |                 |   | 109922                                  | 109922               |
| Increase of revaluation reserve              |                 |  |                            |                 |   |   | 0                    |
| Written-off revaluation reserve              |                 | -74976                                       |                            |                 |   |   | -74976               |
| <b>As of 31.03.2012.</b>                     | <b>16981033</b> | <b>40399873</b>                              | <b>0</b>                   | <b>44524829</b> | <b>521688</b>                           | <b>-15382240</b>                        | <b>87045183</b>      |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR

|  | 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 01.01.2011.</b>                     | <b>24161833</b>   | <b>65435958</b>                              | <b>0</b>                   | <b>63353124</b> | <b>-9927711</b>                         | <b>-17487752</b>                        | <b>125535452</b>     |
| Profit in reserves                           |                   |  |                            |                 | 9927711                                 | -9927711                                | 0                    |
| Undistributed profit of the reporting period |                   |  |                            |                 | 5529354                                 |   | 5529354              |
| Minority shareholders                        |                   |  |                            |                 |   | -157252                                 | -157252              |
| Increase of revaluation reserve              |                   |  |                            |                 |   |   | 0                    |
| Written-off revaluation reserve              |                   | -7845436                                     |                            |                 |   |   | -7845436             |
| <b>As of 31.12.2011.</b>                     | <b>24161833.2</b> | <b>57590522</b>                              | <b>0</b>                   | <b>63353124</b> | <b>5529354</b>                          | <b>-27572714</b>                        | <b>123062118</b>     |
| Profit in reserves                           |                   |  |                            |                 | -5529354                                | 5529354                                 | 0                    |
| Undistributed profit of the review period    |                   |  |                            |                 | 742295                                  |   | 742295               |
| Minority shareholders                        |                   |  |                            |                 |   | 156405                                  | 156405               |
| Increase of revaluation reserve              |                   |  |                            |                 |   |   | 0                    |
| Written-off revaluation reserve              |                   | -106681                                      |                            |                 |   |   | -106681              |
| <b>As of 31.03.2012.</b>                     | <b>24161833.2</b> | <b>57483840</b>                              | <b>0</b>                   | <b>63353124</b> | <b>742295</b>                           | <b>-21886956</b>                        | <b>123854137</b>     |

## ENCLOSURES TO THE 3 MONTH QUARTERLY REPORT (Consolidated)

### ENCLOSURES TO FINANCIAL POSITION

#### 1. Accounts Receivables (Debtors)

| Accounts Receivable  | As of 31.03.2012. |                    | As of 31.03.2011. |                   |
|--|-------------------|--------------------|-------------------|-------------------|
|  | LVL               | EUR                | LVL               | EUR               |
| <b>Customers and affiliated companies' debts</b>                 | <b>7640627</b>    | <b>10871633</b>    | <b>2399623</b>    | <b>3414356</b>    |
| Incl. Debts of buyers and customers                              | 5439019           | 7739027            | 2310954           | 3288191           |
| Incl. Debts of buyers with factoring activities                  | 2116325           | 3011259            | 33711             | 47966             |
| Incl. Debts of related enterprises (subsidiaries)                | 0                 | 0                  | 3420              | 4866              |
| Incl. Debts of associated enterprises<br>(Doubtful debtors debt) | 85283<br>/423435/ | 121347<br>/556451/ | 51538<br>/391076/ | 73332<br>/186628/ |
| <b>Other debtors</b>   | <b>1517401</b>    | <b>2159067</b>     | <b>794082</b>     | <b>1129877</b>    |
| Incl. Provision for VAT and unpaid VAT                           | 42080             | 59874              | 28550             | 40623             |
| Incl. Advance payments   | 6564              | 9340               | 17979             | 25582             |
| Incl. VAT budget overpayments                                    | 1190952           | 1694572            | 702766            | 999946            |
| Incl. Various debtors  | 138007            | 196366             | 29148             | 41474             |
| Incl. Overpaid salaries  | 2401              | 3416               | 175               | 249               |
| Incl. Advance payments for services                              | 33571             | 47767              | 11247             | 16003             |
| Incl. Advance prepayment for Corporate income tax                | 74826             | 106468             | 1218              | 1733              |
| Incl. Other overpaid taxes                                       | 211               | 300                | 1757              | 2500              |
| Incl. Security amounts in auction                                | 28789             | 40963              | 1242              | 1767              |
| <b>Short-term loans to employees</b>                             | <b>6575</b>       | <b>9355</b>        | <b>0</b>          | <b>0</b>          |
| <b>Future periods payments</b>                                   | <b>71535</b>      | <b>101785</b>      | <b>109410</b>     | <b>155676</b>     |
| Incl. Press expenses   | 5516              | 7849               | 6174              | 8785              |
| Incl. Various  | 5535              | 7876               | 26841             | 38191             |
| Incl. Property insurance   | 59325             | 84412              | 76323             | 108598            |
| Incl. Payment for ship freightage services                       | 738               | 1050               | 0                 | 0                 |
| Incl. Publicity and Advertisement                                | 421               | 599                | 72                | 102               |
| <b>Total Debtors:</b>  | <b>9236138</b>    | <b>13141840</b>    | <b>3303115</b>    | <b>4699909</b>    |

## 2. Accounts Payable (Creditors)

| CREDITORS   | As of 31.03.2012 |                  | As of 31.03.2011 |                  |
|---|------------------|------------------|------------------|------------------|
|   | LVL              | EUR              | LVL              | EUR              |
| <b>Long- term creditors (credit institutions)</b>                   | <b>51019828</b>  | <b>72594675</b>  | <b>36155687</b>  | <b>51444908</b>  |
| <b>Other long-term borrowings</b>                                   | <b>2730646</b>   | <b>3885359</b>   | <b>1469971</b>   | <b>2091580</b>   |
| <b>Other creditors</b>  | <b>142160</b>    | <b>202275</b>    | <b>175146</b>    | <b>249210</b>    |
| <b>Short-term borrowings from credit institutions</b>               | <b>10051887</b>  | <b>14302547</b>  | <b>1636576</b>   | <b>2328638</b>   |
| <b>Short-term borrowings from credit institutions (credit line)</b> | <b>22178385</b>  | <b>31556999</b>  | <b>11058996</b>  | <b>15735534</b>  |
| <b>Short-term debt from leasing</b>                                 | <b>827520</b>    | <b>1177455</b>   | <b>469722</b>    | <b>668354</b>    |
| <b>Advance payments (from residents)</b>                            | <b>2762959</b>   | <b>3931336</b>   | <b>175882</b>    | <b>250258</b>    |
| <b>Advance payments (from non-residents)</b>                        | <b>26524046</b>  | <b>37740317</b>  | <b>24727239</b>  | <b>35183691</b>  |
| <b>Other borrowings (factoring)</b>                                 | <b>2242751</b>   | <b>3191147</b>   | <b>33711</b>     | <b>47966</b>     |
| <b>Other borrowings</b>   | <b>40000</b>     | <b>56915</b>     | <b>40000</b>     | <b>56915</b>     |
| <b>Debts to suppliers and contractors</b>                           | <b>41325395</b>  | <b>58800740</b>  | <b>19564210</b>  | <b>27837363</b>  |
| Incl. Materials and gas   | 19071671         | 27136543         | 14902169         | 21203876         |
| Incl. Services  | 9667442          | 13755531         | 3487397          | 4962119          |
| Incl. Scrap, various services related to scrap delivery, processing | 12192556         | 17348444         | 1009220          | 1435991          |
| Incl. Fixed assets  | 182874           | 260206           | 163034           | 231976           |
| Incl. Medical department creditors                                  | 3237             | 4606             | 2390             | 3401             |
| Incl. Other Creditors   | 207615           | 295410           | 0                | 0                |
| <b>Debts to associated enterprises</b>                              | <b>840378</b>    | <b>1195750</b>   | <b>12</b>        | <b>17</b>        |
| <b>Accrued liabilities</b>  | <b>117244</b>    | <b>166823</b>    | <b>13043</b>     | <b>18559</b>     |
| <b>Taxes and social security insurance payments</b>                 | <b>1150543</b>   | <b>1637075</b>   | <b>730001</b>    | <b>1038698</b>   |
| Incl. Value added tax   | 29452            | 41906            | 10129            | 14412            |
| Incl. State tax   | 722              | 1027             | 662              | 942              |
| Incl. Residents' Income tax   | 386121           | 549401           | 248172           | 353117           |
| Incl. Real estate tax   | 3362             | 4784             | 1612             | 2294             |
| Incl. Social Security tax   | 675593           | 961282           | 446591           | 635442           |
| Incl. Packing tax   | 0                | 0                | 0                | 0                |
| Incl. Nature resources tax  | 26394            | 37555            | 5514             | 7846             |
| Incl. Enterprise's Income tax                                       | 28899            | 41120            | 17321            | 24646            |
| <b>Other creditors (liabilities)</b>                                | <b>966110</b>    | <b>1374651</b>   | <b>713633</b>    | <b>1015408</b>   |
| Incl. Payments for salaries   | 888537           | 1264274          | 678022           | 964738           |
| Incl. Deductions from salaries                                      | 35779            | 50909            | 34504            | 49095            |
| Incl. Debt to accountable persons                                   | 16794            | 23896            | 1107             | 1575             |
| Incl. Other creditors   | 25000            | 35572            | 0                | 0                |
| <b>Total Creditors:</b>   | <b>162919852</b> | <b>231814065</b> | <b>96963829</b>  | <b>137967099</b> |

## ENCLOSURES TO STATEMENTS OF COMPREHENSIVE INCOME

### 3. Net turnover (revenue) by products

| Product Description          | As of 31.03.2012 |                 | As of 31.03.2011 |                  |
|------------------------------|------------------|-----------------|------------------|------------------|
|                              | LVL              | EUR             | LVL              | EUR              |
| Rolled steel                 | 60518543         | 86110129        | 80962898         | 115199825        |
| Castings                     | 44412            | 63193           | 34045            | 48442            |
| Billet                       | 959681           | 1365503         | 0                | 0                |
| Wire                         | 145725           | 207348          | 0                | 0                |
| Nails                        | 165641           | 235686          | 0                | 0                |
| Slag                         | 1204             | 1713            | 41250            | 58693            |
| Services                     | 22398            | 31869           | 58331            | 82998            |
| Sold steam, gCal             | 4546             | 6468            | 3937             | 5602             |
| Medical department           | 224439           | 319348          | 226065           | 321662           |
| Transportation services      | 753              | 1071            | 1030             | 1466             |
| Stevedoring services         | 1728418          | 2459317         | 1445055          | 2056128          |
| Broker services              | 746315           | 1061911         | 677289           | 963695           |
| Freightage services          | 20809            | 29609           | 3817             | 5431             |
| Forwarder and other services | 1048328          | 1491636         | 564530           | 803254           |
| Sports                       | 92241            | 131247          | 82551            | 117459           |
| Publicity and Advertisement  | 3514             | 5000            | 17380            | 24730            |
| Beton (concrete) wares       | 19975            | 28422           | 35438            | 50424            |
| Other                        | 31000            | 44109           | 13600            | 19351            |
| Scrap                        | 999716           | 1422468         | 0                | 0                |
| <b>TOTAL</b>                 | <b>66777658</b>  | <b>95016047</b> | <b>84167216</b>  | <b>119759159</b> |

### 4. Net turnover by geographic markets

| Market                   | As of 31.03.2012 |                 | As of 31.03.2011 |                  |
|--------------------------|------------------|-----------------|------------------|------------------|
|                          | LVL              | EUR             | LVL              | EUR              |
| European Union countries | 55357716         | 78766934        | 51778371         | 73673984         |
| Other third countries    | 11419942         | 16249114        | 32388845         | 46085175         |
| <b>Total</b>             | <b>66777658</b>  | <b>95016047</b> | <b>84167216</b>  | <b>119759159</b> |



### 5. Production costs of sold goods

| Cost Description                | As of 31.03.2012 |                 | As of 31.03.2011 |                  |
|---------------------------------|------------------|-----------------|------------------|------------------|
|                                 | LVL              | EUR             | LVL              | EUR              |
| Materials                       | 49697675         | 70713421        | 69886605         | 99439680         |
| Salaries and wages              | 3119863          | 4439165         | 4025566          | 5727864          |
| Social benefits deduction       | 737850           | 1049866         | 947353           | 1347962          |
| Depreciation                    | 1375110          | 1956605         | 1691171          | 2406320          |
| Other costs                     | 7380673          | 10501752        | 3247585          | 4620897          |
| Write-off of nonmaterial values | 190              | 270             | 16739            | 23817            |
| <b>Total</b>                    | <b>62311361</b>  | <b>88661079</b> | <b>79815019</b>  | <b>113566541</b> |

### 6. Sales expenses

| Cost Description                                | As of 31.03.2012 |                | As of 31.03.2011 |                |
|---|------------------|----------------|------------------|----------------|
|   | LVL              | EUR            | LVL              | EUR            |
| Packing materials                               | 15805            | 22488          | 25724            | 36602          |
| Transportation costs                            | 1270027          | 1807086        | 579170           | 824085         |
| Freight   | 156622           | 222853         | 47785            | 67992          |
| Port handling charges                           | 453896           | 645836         | 11887            | 16914          |
| Advertising and marketing costs                 | 10333            | 14703          | 10041            | 14287          |
| Other sales costs                               | 47480            | 67558          | 150175           | 213680         |
| Logistics services costs                        | 1233597          | 1755250        | 1375354          | 1956952        |
| Costs related to L/C and factoring transactions | 12508            | 17797          | 0                | 0              |
| <b>Total</b>                                    | <b>3200268</b>   | <b>4553571</b> | <b>2200136</b>   | <b>3130511</b> |

## 7. Administration expenses

| Cost Description                             | As of 31.03.2012 |                | As of 31.03.2011 |                |
|--|------------------|----------------|------------------|----------------|
|  | LVL              | EUR            | LVL              | EUR            |
| Salaries and social costs                    | 1065230          | 1515686        | 911639           | 1297145        |
| Communication costs                          | 24265            | 34526          | 19550            | 27817          |
| Office supplies and office maintenance costs | 319136           | 454090         | 222259           | 316246         |
| Legal and auditing fees                      | 27145            | 38624          | 34021            | 48408          |
| Presentation costs                           | 42321            | 60217          | 95234            | 135506         |
| Depreciation of fixed assets                 | 61244            | 87142          | 59375            | 84483          |
| Traveling expenses                           | 25440            | 36198          | 20773            | 29557          |
| Management training                          | 194              | 276            | 1490             | 2120           |
| Costs of bank account services               | 66238            | 94248          | 16460            | 23420          |
| Costs related to stockholders                | 3917             | 5573           | 4012             | 5709           |
| <b>Total</b>                                 | <b>1635130</b>   | <b>2326580</b> | <b>1384813</b>   | <b>1970411</b> |

## 8. Other operating income

| Income Description                              | As of 31.03.2012 |                | As of 31.03.2011 |                |
|---|------------------|----------------|------------------|----------------|
|   | LVL              | EUR            | LVL              | EUR            |
| Sale of current assets                          | 336501           | 478798         | 1633008          | 2323561        |
| Intermediary services                           | 291112           | 414215         | 0                | 0              |
| Liquidation of fixed assets                     | 6918             | 9843           | 655486           | 932673         |
| Sale of fixed assets                            | 11434            | 16269          | 8600             | 12237          |
| Rent of fixed assets                            | 3218             | 4579           | 0                | 0              |
| Written-off revaluation reserve of fixed assets | 2591             | 3687           | 1128790          | 1606123        |
| Currency exchange income                        | 92180            | 131160         | 0                | 0              |
| Received fine payments                          | 2530             | 3600           | 5098             | 7254           |
| Received discounts                              | 0                | 0              | 45767            | 65121          |
| Bad debt recovery                               | 0                | 0              | 21967            | 31256          |
| Other income from operating activity            | 1461693          | 2079802        | 25980            | 36966          |
| Dotation (allowance)                            | 73521            | 104611         | 131392           | 186954         |
| <b>Total</b>                                    | <b>2281698</b>   | <b>3246564</b> | <b>3656088</b>   | <b>5202145</b> |

## 9. Other operating costs

| Cost Description   | As of 31.03.2012 |                | As of 31.03.2011 |                |
|--|------------------|----------------|------------------|----------------|
|  | LVL              | EUR            | LVL              | EUR            |
| Sales costs of current assets                                    | 320791           | 456444         | 1446383          | 2058018        |
| Costs related to intermediary services                           | 290882           | 413888         | 0                | 0              |
| Costs related to the sale and<br>and liquidation of fixed assets | 86847<br>4374    | 123572<br>6224 | 0<br>360         | 0<br>512       |
| Currency exchange loss   | 0                | 0              | 102850           | 146342         |
| Compensation for damage and<br>other allowances                  | 17448            | 24826          | 14349            | 20417          |
| Other costs  | 255050           | 362903         | 212220           | 301962         |
| Paid fines   | 1186             | 1688           | 7                | 10             |
| Costs not related to the operating activities                    | 65277            | 92881          | 51038            | 72621          |
| Costs of infrastructure maintenance                              | 5063             | 7204           | 5389             | 7668           |
| Training of new employees  | 5708             | 8122           | 19638            | 27942          |
| Extraordinary costs (modernisation)                              | 0                | 0              | 370355           | 526968         |
| Costs of representative auto maintenance                         | 11678            | 16616          | 11689            | 16632          |
| <b>Total</b>   | <b>1064304</b>   | <b>1514368</b> | <b>2234278</b>   | <b>3179091</b> |