

**JSC "Liepājas metalurģs" Management Report on six months
of year 2004 review.**

During six months of the current year the volumes of major commodities production, that is, deformed reinforcing bars, compared with the same period last year have increased at JSC "Liepājas metalurģs" by 8.5 % or 23 623 tons.

Such increase is due to the assortment of the ordered Goods because the equipment has been 100 % loaded since 1977.

This year six months net turnover is 67.3 mln Ls, that is by 26.1 mln Ls higher than for six months of the previous year. Net turnover increase is due to:

- increase of production volume;
- increase of the sales prices;
- currency exchange rates fluctuation.

This year six months profit amounts to 2.3 mln Ls or by 1.0 mln Ls higher than for six months of the previous year. This is mainly due to the fact that raw materials price increase was lower than the increase of the sales prices of the produced Goods and also due to increase of production volumes.

Each year JSC "Liepājas metalurģs" invest 4-5 mln Ls into production development. This year negotiations have been conducted and cooperation contracts concluded with Austrian and Russian companies on steel production modernization.

There have been no changes made in the structure of the Council and the Board of JSC "Liepājas metalurģs" during the period of review.

JSC "Liepājas metalurģs" has one subsidiary enterprise, that is, LSEZ JSC "Liepājas Osta LM" with economic operations, where logistics department operations have prominently expanded and transshipment complex reconstruction continues.

Member of
the Board



L. Ptichkin

JOINT STOCK COMPANY LIEPAJAS METALURGS
40003014197
93, Brivibas str., Liepaja, LV-3401 Latvia

CALCULATION OF PROFIT OR LOSS


FOR 6 MONTH OF THE YEAR 2004.

No.	Parameter designation	Line Code	At the end of the period of accountant	At the beginning of the period of accountant 6 men
1	2	3	4	5
1	Net turnover	010	67299163	41094729
2	Production costs for sold products	020	-54206868	-37776435
3	Gross profit or loss (from turnover)	030	13092295	3318294
4	Sales expenses	040	-1449274	-875484
5	Administration expenses	050	-1763649	-1415836
6	Other income from economic activities of the enterprise	060	2092533	2411239
7	Other expenses from economic activities of the enterprise	070	-9139322	-1685848
8	Incomes from participation in daughter or associated enterprises	080	0	-
9	Incomes from securities and loans which formed long-term	090	0	-
10	Other interest incomes and similar incomes	100	53269	51057
11	Long-term financial investments and short-term securities value	110	0	-
12	Interest payments and similar expenses	120	-91256	-244218
13	Profit or loss prior to extraordinary items and taxes	130	2794596	1559204
14	Extra incomes	140	156966	313810
15	Extra expenses	150	-166752	-503406
16	Profit or loss prior to taxes	160	2784810	1369608
17	Profit tax for review period	170	-347500	-
18	Other taxes	180	-133289	-99595
19	Review period profit or loss after taxes	190	2304021	1270013

Director(owner):



L. Ptichkin



JSC LIEPAJAS METALURGS

BALANCE

FOR 6 MONTH OF THE YEAR 2004.

ACTIVE	Note No.	Line Code	2004.g.	2003.g.
I.LONG-TERM INVESTMENTS				
I.Non-material Investments				
1.Research work and enterprise development payments		10		
2.Concessions, patents, licenses, trade marks and similar rights		20	112827	111090
3.Other non-material investments		21		
4.Non-material value of the enterprise		30		
5.Advance payments for non-material investments		40		
LTOTAL:		50	112827	111090
II.Capital assets				
1.Land areas, buildings and constructions and long-term sites		60	18427044	18584117
2.Long-term investments in rented capital assets		70		
3.Technological equipment and machines		80	13081824	13228928
4.Other capital assets and inventory		90	1693215	1758831
5.Capital assets formation and payments for uncompleted construction objects		100	1571879	887511
6.Advance payments for capital assets		110	579594	468291
ILTOTAL:		120	35353556	34927678
III.Long-term financial investments				
1.Participation in the capital of the related enterprises		130	4169284	4169283
2.Loans to the related enterprises		140	4620572	
3.Participation in the affiliated enterprises capital		150	579281	579242
4.Loans to the associated enterprises		160	626338	674000
5.Other securities and investments		170		
6.Other loans		180	69103	66602
7.Own shares		190		
8.Loans to joint owners of the enterprise and management		200		
IIITOTAL:		210	10064578	5489127
Section 1 total amount:		220	45530961	40527895
2.CURRENT ASSETS				
I.Stock(savings)				
1.Raw materials, basic auxiliary materials		230	8627150	7720756
2.Uncompleted products		240	724580	1041684
3.Completed products and goods for sales		250	10672682	7541169
4.Uncompleted orders		260	458	
5.Advance payments for goods		270	591313	1469215
6.Labour animals and productive animals		280		
LTOTAL:		290	20616183	17772824
II.Debtors				
1.Buyers and Customers debts		300	1851221	809152
2.Related enterprises debts		310	614238	455230
3.Associated enterprises debts		320	29785	32329
4.Other debtors		330	1297274	836567
5.Unpaid shares of the company capital		340		
6.Short-term loans to joint owners of the enterprise and management		350		
7.Future periods payments		360	66519	38233
IIITOTAL:		370	3859037	2171511
III.Securities and participation in capitals				
1.Participation in the related enterprises capital		380		
2.Own shares		390		
3.Other securities and participation in capitals		400		
IIITOTAL:		410		
IV.Funds				
IV.TOTAL:		420	7776569	1815507
Section 2 total amount		430	32251789	21759842
BALANCE		440	77782750	62287737

PASSIVE	Note No.	Line Code	2004.g.	2003.g.
I.OWN CAPITAL				
1.Share capital(fixed capital)		450	16981033	16981033
2.Share issue extra charge		460		
3.Long-term investments revaluation reserve		470	15307947	15318300
4.Reserves:a)reserves stipulated by law		480		
4.Reserves:b)reserves for own shares		490		
4.Reserves:c)reserves stipulated in the company Statutes		500	400603	346579
4.Reserves:d)other reserves		510	1325429	1379453
4.TOTAL:		520	1726032	1726032
5.Undistributed profit a)undistributed profit of the previous years		530	2463469	
5.Undistributed profit b)undistributed profit of the review year		540	2304021	2463469
section 1. total amount:		550	38782502	36488834
2.SAVINGS				
1.Savings for pensions and similar obligations		560		
2.Savings for anticipated taxes		570		
3.Other savings		580	8012045	1016055
section 2. total amount:		590	8012045	1016055
3.CREDITORS				
LI Long-term debts.				
1.Loans against bonds(obligations)		600		
2.Share revaluation loans		610		
3.Loans from credit institutions		620		2742880
4.Other loans		630	20970	20970
5.Advance payments received from buyers		640		
6.Debts to suppliers and contractors		650		
7.Payable bills of exchange		660		
8.Debts to related enterprises		670		
9.Debts to associated enterprises		680		
10.Taxes and social insurance payments		690		
11.Other creditors		700		
12.Future periods income		710		
13.Review year dividends		720		
14.Unpaid dividends for previous years		730		
LI TOTAL:		740	20970	2763850
II Short-term debts.				
1.Loans against bonds(obligations)		750		
2.Share revaluation loans		760		
3.Loans from credit institutions		770		638637
4.Other loans		780	12117	20838
5.Advance payments received from buyers		790	1248910	60977
6.Debts to suppliers and contractors		800	28017000	19254454
7.Payable bills of exchange		810		
8.Debts to related enterprises		820	38816	449960
9.Debts to associated enterprises		830	17996	20495
10.Taxes and social insurance payments		840	920360	866075
11.Other creditors		850	468462	463991
12.Future periods income		860	243571	243571
13.Review year dividends		870		
14.Unpaid dividends for previous years		880		
II TOTAL:		890	30967233	22018998
Section 3. total amount:		900	30988203	24782848
BALANCE		910	77782750	62287737

Director(owner):



L. Ptichkin



DEBTORS

DEBTORS	Amount at 31.06.2004 in LVL
Total Buyers and Customers debts	2495244,38
Incl.	
Debts of buyers and customers	1851221,75
Debts of the allied enterprises	614237,89
Debts of the associated enterprises	29784,74
Other debtors	1297273,5
Incl.	
Accounted & not paid VAT	607595,66
Advance Settlements	20625,64
VAT overpayment to the Budget	658771,36
Debt for caused damages to the enterprise	40,23
Various debtors	9175,93
Overpaid salaries	1064,68
Overpaid taxes	0
Unpaid part of capital	-
Short-term loans to employees	-
Future periods payments	66518,69
Incl.	
Press expenses	4155,07
Other	24611,1
Property insurance	33721
Training fees	4031,52
TOTAL DEBTORS:	3859036,57

DEBTS TO CREDITORS

CREDITOR	Amount at 31.07.2004 in LVL
Long-term borrowings from credit institutions	0
Hanza leasing	20970,06
Borrowings from credit institutions	0
Short term debt to "hanza leasing"	12116,93
Advance payments	1248909,52
Debts to suppliers and contractors	28017000,29
Incl. Materials, stock	2621164,87
services	748036,73
Incl. Scrap, various services related to scrap delivery, processing	1264607,51
Incl. Capital assets	122211,15
Incl. for Medical department creditor	1574,83
Incl. Settlements with enterprises and other business partners - non-residents	23259397,42
Other creditors	7,78
Debts to associated enterprises	17996,43
Debts to allied enterprises	38815,84
Taxes and social insurance payments	920360,34
Incl. Residents' Income tax	191845,2
Incl. Social tax	286834,85
Incl. Nature resources tax	13005,1
Incl. Enterprise's Income tax	406180,29
Incl. Real estate tax	19466,6
Incl. State tax	1028,3
Incl. VAT	0
Land tax	2000
Other creditors	468462,21
Incl. Payments for salaries	442471,68
Incl. Deductions from salaries	25990,53
Debt to accountable persons	0
Future periods incomes	243571,18
Unpaid dividends for previous years	0
TOTAL CREDITORS:	30988202,8

STATEMENT OF CASH FLOW (LVL) BY DIRECT METHOD
for year 2004 6 mond

	Received	Paid out
ECONOMIC ACTIVITY		
Paid in by buyers and customers	105266572	
Paid for goods and services		88998153
Salaries and payments for social taxes (deduction from salary)	242	3783533
Various taxes	4957	737655
TOTAL:	105271771	93519341
<i>Net cash from economic activity</i>		<i>11752430</i>
INVESTMENTS		
Acquired long-term securities	0	0
Received dividends	-	-
Received from sale of fixed assets	-	-
Acquired fixed assets and establishment of fixed assets	0	2328067
Expenses of the future periods (studies)	447	2619
TOTAL:	1736	2330686
<i>Net cash from investment operations</i>	<i>-</i>	<i>-2330239</i>
FINANCIAL ACTIVITIES		
Reserves	x	x
Deposits in fixed capital	x	x
Obtained credit	0	x
Repaid credit	x	3398208
Credit interest (%)	x	8118
Payments for leasing	x	91040
	x	0
Interest for bank accounts	14832	0
Loans	x	0
Repaid loan	47662	x
Sponsorship and other payments	0	26258
TOTAL:	62494	3523624
<i>Net cash from financial activities</i>		<i>-3461130</i>
Cash balance at the end of the period		7776569
Cash balance at the beginning of the period		1815507
Cash increase for 12 month of year 2003		5961062