

Joint-Stock Company  
"Liepājas metalurģs "  
Reg. nr. 40003014197

## Quarterly Report

For 9 months of the year 2007

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## INFORMATION ON THE COMPANY

1. Full name of the Company: Joint-Stock Company "Liepājas metalurģs"
2. Legal status of the Company: Public Joint-Stock Company
3. Registration number of State registration, place, date: 40003014197  
LR Komerģial register, 07.08.2003.
4. Taxpayer registration number: 40003014197
5. VAT payer registration number: LV 40003014197
6. Legal address and phone number of company: Brivibas street 93, Liepaja, LV-3401; LATVIA  
Phone: +371 3455921
7. Office address and phone number: Brivibas street 93, Liepaja, LV-3401; LATVIA  
Phone: +371 3455921
8. Type of business activity: Steel production
9. Year of account: 2007, 9 months
10. Director: Leons Ptichkins  
Position: Managing Director and a Member of the Board
11. Information on stockholders: Joint-Stock Company is a public joint-stock company, the biggest stock-holders are:  
  
Sergejs Zaharjins  
Proportion (%) of stocks (shares) 49%  
  
Ilja Segals  
Proportion (%) of stocks (shares) 20.80%  
  
Kirovs Lipmans  
Proportion (%) of stocks (shares) 17.70%
12. Members of the Board (also the members who left position or in other way ended their job during the year of account): Valerijs Terentjevs  
Ilja Segals  
Leons Ptichkins
13. The name of the bank, code, operating account number: JSC "SEB Unibanka"  
Account number: LV96UNLA0012002467028
14. Chief Accountant: Ligita Berzupe
15. Auditor, number of license, address, phone number: JSC "BDO Invest Riga"  
Address: Pulkveza Brieza street 19/1, Riga  
Aivars Putnins  
Number of license: 123
16. Average number of employees: 2644

## **Management Statement of the JSC "Liepājas Metalurgs" operations in the first 9 months of 2007.**

The JSC "Liepājas metalurgs" operational activity in the first 9 months of 2007 resulted in a profit of LVL 15.1 million (approx. EUR 21.45 mil.), which was LVL 8.6 million (approx. EUR 12.3) more than for the same period of 2006.

The net turnover (net revenue) reached LVL 175.5 million (approx. EUR 249.7 mil.), which was LVL 30.7 million (approx. EUR 43.7 mil.) more than for the same period of 2006.

The growth of profit and net turnover was primarily attributed to:

- The average price increase for the sold product which was greater than the cost increase of the materials
- The kind of product mix received from the client orders, which also lead to the production volume increase of 17,584 tons when compared to the production volume in the same period of the previous year

The Company invested LVL 3.3 million (approx. EUR 4.7 mil.) in its development during the reporting period. In accordance with the decisions of the JSC "Liepājas metalurgs" Board and Council, the "Rūķis LM" Ltd. equity has been increased by LVL 700 000 (EUR 996 010).

The JSC most significant activities included:

- The modernization of the rolling mill by installing a new automated packing line.
- JSC "Liepājas metalurgs" ("LM") contracted a consortium led by Siemens VAI, Linz (Austria) to modernize the existing steel works in Liepaja, Latvia. This step follows a series of undertakings initiated by LM in 2004.

A new 100-ton electric arc furnace together with a ladle furnace for secondary metallurgy are to replace three existing open-hearth furnaces.

An additional rolling mill with an annual capacity of 400,000 tonnes/year will allow the company to expand its product range in low and medium carbon steels; the two line mill shall produce coiled rebar and a wide range of light sections.

There are also foreseen modernizations of such auxiliary facilities as lime production and oxygen production, which will be connected to the operations of "SMA LM Mineral", Ltd. and "Elme Messer Metalurgs", Ltd.

Joint-Stock Company "Liepājas metalurgs"  
Chairman of the Board

/V. Terentjevs/

Joint-Stock Company "Liepājas Metalurģs"

## **Annex to the Report for 9 months of the year 2007**

### **Basis for Preparation of the Report for 9 months of the year 2007**

The Report for 9 months of the year 2007 is prepared in accordance with the law "On Accounting" as well as with the Latvian Accounting Standards (LAS): 1. LAS, "Financial Statements Preparation Principles", 2. LAS, "Cash Flow Statement" and the European Union (EU) International Accounting Standards on preparation of the Financial Statements.

Profit and Loss Statement is prepared using the turnover method.

The Cash Flow Statement has been presented, by establishing the cash flow from the core activity by the direct method.

The Company's methods used for reporting and valuation have not changed.

In order to improve the comparability of the prepared Profit and Loss Statement and the Balance Sheet, the classification of items has been changed (items are combined) in the Profit and Loss Statement. The item "Extraordinary Costs" is included in the item "Other Operating Costs". Reclassification (combination of items) does not have an impact on the financial result.

The enclosed deferred tax and vacation savings from the Balance Sheet item "Accrued Liabilities" have been moved to "Provisions".

**PROFIT AND LOSS STATEMENT**  
**FOR 9 MONTHS OF THE YEAR 2007**

No.	Parameter designation	Enclosure Number	At the end of the report period LVL	At the end of the report period EUR	9 months 2006 LVL	9 months 2006 EUR
1	2	3	4		5	6
1	<b>Net turnover</b>	4,5	175485790	249693784	144797764	206028657
2	<b>Production costs of goods sold</b>	6	-144773903	-205994705	-121920162	-173476762
3	<b>Gross profit or loss (from turnover)</b>		30711887	43699078	22877602	32551895
4	<b>Sales costs</b>	7	-4746804	-6754094	-4979485	-7085169
5	<b>Administration costs</b>	8	-6091370	-8667239	-5978349	-8506424
6	<b>Other operating income</b>	9	2188836	3114433	2201306	3132176
7	<b>Other operating costs</b>	10	-3710660	-5279794	-5913255	-8413804
8	<b>Interest income and other similar income</b>	11	170080	242002	139110	197936
9	<b>Interest payments and similar expenses</b>		-294337	-418804	-334521	-475981
10	<b>Profit or loss before extraordinary items and taxes</b>		18227632	25935584	8012408	11400629
11	<b>Income tax for the reporting period</b>		18227632	25935584	8012408	11400629
12	<b>Deferred tax</b>		-2822820	-4016511	-1260133	-1793008
13	<b>Other taxes</b>		-331700	-471967	-315228	-448529
14	<b>Reporting period profit or loss after taxes</b>		<b>15073112</b>	<b>21447106</b>	<b>6437047</b>	<b>9159093</b>

The JSC "Liepajas metalurgs" demonstrated profit at the rate of 0.89 per share

In the Financial Statements the LVL amounts were converted into EUR by applying the Bank of Latvia exchange rate fixed at EUR 0.702804 (EUR 1.00 = LVL 0.702804)

*Chairman of the Board*

*V. Terentjevs*

JSC LIEPĀJAS METALURGS

**BALANCE SHEET**  
FOR 9 MONTHS OF THE YEAR 2007

ASSETS	Enclosure Number	30.09.2007 LVL	30.09.2007 EUR	30.09.2006 LVL	30.09.2006 EUR
<b>I.LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Other intangible investments		80666	0	66754	94982
<b>I. TOTAL:</b>		<b>80666</b>	<b>114777</b>	<b>66754</b>	<b>94982</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions and long-term sites		25728237	36607983	29735977	42310483
2. Long-term investments in rented fixed assets			0	28417	40434
3. Technological equipment and machinery		19864959	28265290	18259769	25981311
4. Other fixed assets and inventory		2049239	2915804	1436034	2043292
5. Fixed assets formation and costs of unfinished construction sites		4362841	6207763	5205961	7407415
6. Advance payments for fixed assets		512245	728859	1104037	1570903
<b>II. TOTAL:</b>		<b>52517521</b>	<b>74725700</b>	<b>55770195</b>	<b>79353838</b>
<b>III. Investment properties</b>					
1. Investment properties		3718574	5291054	0	0
<b>III. TOTAL:</b>					
<b>IV. Long-term financial investments</b>					
1. Share in the capital of related companies (subsidiaries)		5630626	8011659	4943126	7033435
2. Loans to the related companies (subsidiaries)		2865794	4077657	3582563	5097528
3. Share in the capital of associated companies		583843	830734	559343	795873
4. Other loans		120057	170826	131323	186856
<b>IV. TOTAL:</b>		<b>9200320</b>	<b>13090876</b>	<b>9216355</b>	<b>13113692</b>
Section 1 total amount:		<b>65517081</b>	<b>93222408</b>	<b>65053304</b>	<b>92562512</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		14540826	20689731	10746678	15291145
2. Unfinished products, Work in Process		923151	1313526	2066122	2939827
3. Finished products and goods for sales		14333257	20394387	6349748	9034877
4. Incompleted orders		807	1148	1850	2632
5. Advance payments for goods		1442246	2052131	2223697	3164036
6. Labour animals and productive animals			0		0
<b>I. TOTAL:</b>		<b>31240287</b>	<b>44450924</b>	<b>21388095</b>	<b>30432517</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		17264872	24565700	14368108	20443976
2. Debt of related companies (subsidiaries)		936958	1333171	1290012	1835522
3. Debt of associated enterprises		60172	85617	34001	48379
4. Other debtors (accounts receivable)		3494339	4971996	2573387	3661600
5. Short-term loans			0	600	854
6. Prepaid expenses		34842	49576	31775	45212
<b>II. TOTAL:</b>	<b>1</b>	<b>21791183</b>	<b>31006060</b>	<b>18297883</b>	<b>26035542</b>
<b>III. Short-term financial investments</b>					
<b>III. TOTAL:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Cash</b>		1512017	2151406	2182634	3105608
<b>IV. TOTAL:</b>		<b>1512017</b>	<b>2151406</b>	<b>2182634</b>	<b>3105608</b>
Section 2 total amount		<b>54543487</b>	<b>77608390</b>	<b>41868612</b>	<b>59573668</b>
<b>TOTAL ASSETS</b>		<b>120060568</b>	<b>170830798</b>	<b>106921916</b>	<b>152136180</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	30.09.2007 LVL	30.09.2007 EUR	30.09.2006 LVL	30.09.2006 EUR
<b>1. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		25054698	35649624	25852595	36784929
3. Reserves: a) reserves stipulated by law			0		0
3. Reserves: b) other reserves		21959004	31244848	12491727	17774126
<b>TOTAL:</b>		<b>21959004</b>	<b>31244848</b>	<b>12491727</b>	<b>17774126</b>
4. Retained earnings a) undistributed profit from the previous years		0	0	0	0
4. Retained earnings b) undistributed profit of the reporting year		15073112	21447106	6437047	9159093
section 1 total amount:		<b>79067847</b>	<b>112503411</b>	<b>61762402</b>	<b>87879981</b>
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		1411009	2007685	932333	1326590
2. Other provisions		4893992	6963523	5255440	7477817
section 2 total amount:	<b>2</b>	<b>6305001</b>	<b>8971208</b>	<b>6187773</b>	<b>8804408</b>
<b>3. LIABILITIES (Accounts Payable)</b>					
<b>I. Long-term Creditors (accounts Payable).</b>					
<b>I. TOTAL:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		10782419	15342000	6500257	9249032
2. Other loans		5012665	7132380	5521090	7855803
3. Advance payments received from customers		337517	480243	3183051	4529074
4. Suppliers and contractors trade account payable		15002078	21346034	21299171	30305990
5. Accrued liabilities (Payable bills of exchange)			0		0
6. Payable (debt) to related companies (subsidiaries)		110247	156867	105305	149836
7. Payable (debt) to associated companies		49571	70533	32613	46404
8. Taxes and state social insurance payments		2175964	3096118	1436677	2044207
9. Other liabilities		1217259	1732004	893577	1271446
<b>II. TOTAL:</b>	<b>3</b>	<b>34687720</b>	<b>49356179</b>	<b>38971741</b>	<b>55451792</b>
Section 3 total amount:		<b>34687720</b>	<b>49356179</b>	<b>38971741</b>	<b>55451792</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>120060568</b>	<b>170830798</b>	<b>106921916</b>	<b>152136180</b>

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

V. Terentjevs



**JSC "Liepājas metalurģs"**

**CASH FLOW STATEMENT (by direct method)  
for 9 Months of the year 2007**

	Reporting year		9 months 2006	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	166385629	236745421	153326968	218164621
Cash received from other business activities	1033956	1471187	644131	916516
VAT overpayment received	8614318	12257070	8007474	11393609
Cash paid to suppliers and employees	-161211823	-229383758	-140896308	-200477385
<i>Cash received from the core business activity</i>	<i>14822080</i>	<i>21089920</i>	<i>21082265</i>	<i>29997361</i>
Interest payment	-331272	-471358	-334521	-475981
Corporate income tax payment	-12224382	-17393729		0
Other tax payments	0	0	-6593095	-9381129
<i>Net cash flow from the core business activity</i>	<b>2266426</b>	<b>3224834</b>	<b>14154649</b>	<b>20140251</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of subsidiary company in net cash	-4615171	-6566797	-8309901	-11823924
Acquisition of fixed assets and intangible assets	83902	119382	54981	78231
Sale of fixed assets and intangible assets	0	0	0	0
Long-term credit for students of JSC "LM" and other loans	0	0	-6558	-9331
Other loans granted	0	0	-140000	-199202
Investments in related companies (subsidiaries)	-12000	-17074	-22500	-32015
Repayment of long-term credit for students	8154	11602		
<i>Net cash flow from investment operations</i>	<b>-4535115</b>	<b>-6452887</b>	<b>-8423978</b>	<b>-11986241</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short-term borrowings in net value (credit line)	1674079	2382000	-4320089	-6146933
Long-term borrowings	0	0	0	0
Paid liabilities for financial leasing	0	0	0	0
Loans to associated and related companies	-22000	-31303	-700000	-996010
Repayment of loans and received interests	115452	164273	909089	1293517
Other investments (sponsorship)	-1672009	-2379054	-784892	-1116801
<i>Net cash flow from financial activities</i>	<b>95522</b>	<b>135916</b>	<b>-4895892</b>	<b>-6966227</b>
Result of foreign currency exchange rate fluctuations	-30905	-43974	-48591	-69139
Net growth of cash and its equivalents	-2204072	-3136112	786188	1118645
Cash and its equivalents at the beginning of accounting period	<b>3716089</b>	<b>5287518</b>	<b>1396446</b>	<b>1986964</b>
Cash and its equivalents at the end of accounting period	<b>1512017</b>	<b>2151406</b>	<b>2182634</b>	<b>3105608</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 1.01.2006</b>	<b>16981033</b>	<b>26073458</b>	<b>346579</b>	<b>7987544</b>	<b>4157604</b>	<b>0</b>	<b>55546218</b>
Previous year profit put in reserves				4157604	-4157604	0	0
Undistributed profit of the reporting period					9467277		9467277
Increase of fixed capital		0					0
Reserves distribution			-346579	346579			0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-798974					-798974
<b>As of 31.12.2006</b>	<b>16981033</b>	<b>25274484</b>	<b>0</b>	<b>12491727</b>	<b>9467277</b>	<b>0</b>	<b>64214521</b>
Previous year profit put in reserves				9467277	-9467277		0
Undistributed profit of the review period					15073112		15073112
Increase of fixed capital							0
Increase of revaluation reserve							0
Reserves distribution							0
Written-off revaluation reserve		-219786					-219786
<b>As of 30.09.2007</b>	<b>16981033</b>	<b>25054698</b>	<b>0</b>	<b>21959004</b>	<b>15073112</b>	<b>0</b>	<b>79067847</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 1.01.2006</b>	<b>24161833</b>	<b>37099188</b>	<b>493137</b>	<b>11365251</b>	<b>5915737</b>	<b>0</b>	<b>79035146</b>
Previous year profit put in reserves				5915737	-5915737	0	0
Undistributed profit of the reporting period					13470721		13470721
Reserves distribution			-493137	493137			0
Written-off revaluation reserve		-1136837					-1136837
Increase of revaluation reserve							
<b>As at 31.12.2006</b>	<b>24161833</b>	<b>35962351</b>	<b>0</b>	<b>17774125</b>	<b>13470721</b>	<b>0</b>	<b>91369030</b>
Previous year profit put in reserves				13470721	-13470721		0
Undistributed profit of the review period					21447106		21447106
Increase of revaluation reserve							0
Exchange rate difference							0
Reserves distribution							0
Written-off revaluation reserve		-312726					-312726
<b>As of 30.09.2007</b>	<b>24161833</b>	<b>35649625</b>	<b>0</b>	<b>31244846</b>	<b>21447106</b>	<b>0</b>	<b>112503410</b>

**JSC "Liepājas metalurģs"**

**1. ACCOUNTS RECEIVABLE (DEBTORS)**

DEBTORS	As of 30.09.2007		As of 30.09.2006	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies debts</b>	<b>18262002</b>	<b>25984488</b>	<b>15692121</b>	<b>22327877</b>
Incl. Debts of buyers and customers	12906234	18363917	9493086	13507444
Loans to related companies	936958	1333171	1290012	1835522
Incl. Debts of associated enterprises	60172	85617	34001	48379
Incl. Debts of buyers with factoring activities	4358638	6201783	4875022	6936531
(doubtful debtors debt)		/ 652748/		/ 624810/
<b>Other debtors</b>	<b>3494339</b>	<b>4971996</b>	<b>2573387</b>	<b>3661600</b>
Incl. Provision for VAT and paid VAT	52904	75276	493860	702699
Incl. Advance payments	8021	11413	11205	15943
Incl. VAT budget overpayments	3352634	4770368	1921228	2733661
Incl. Debt for caused damages to the enterprise	253	360	245	349
Incl. Various debtors	80335	114306	133773	190342
Incl. Overpaid salaries	0	0	0	0
Incl. Dues for damages to the company	192	273	0	0
Incl. Advance prepayment for services	0	0	13076	18605
<b>Short-term loans to employees</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>854</b>
<b>Future periods payments</b>	<b>34842</b>	<b>49576</b>	<b>31775</b>	<b>45212</b>
Incl. Press expenses	5202	7402	4013	5710
Incl. Miscellaneous	15670	22296	5869	8351
Incl. Property insurance	13970	19878	21893	31151
<b>Total Debtors:</b>	<b>21791183</b>	<b>31006060</b>	<b>18297883</b>	<b>26035542</b>

**JSC "Liepājas metalurģs"**

**2. PROVISIONS**

	Provisions for anticipated vacations (4318)		Provisions for doubtful debtors		Other provisions		Tax provisions	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>On 31.12.06</b>	<b>1906258</b>	<b>2712361</b>	<b>516572</b>	<b>735016</b>	<b>2987734</b>	<b>4251162</b>	<b>1411009</b>	<b>2007685</b>
Increase	0	0	44882	63861	0	0		0
Decrease	0	0	-102700	-146129	0	0	0	0
Repriced	0	0	0	0	0	0	0	0
<b>On 30.09.07</b>	<b>1906258</b>	<b>2712361</b>	<b>458754</b>	<b>652748</b>	<b>2987734</b>	<b>4251162</b>	<b>1411009</b>	<b>2007685</b>

### 3. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 30.09.2007		As of 30.09.2006	
	LVL	EUR	LVL	EUR
<b>Short-term borrowing from credit institutions</b>	0	0	0	0
<b>Credit interests</b>	0	0	0	0
<b>Short-term borrowings from credit institutions</b> (credit line)	10782419	15342000	1595365	2270000
		0	4904892	6979033
<b>Advance payments</b>	337517	480243	3183051	4529074
<b>Other borrowing (factoring)</b>	5012665	7132380	5521090	7855803
<b>Debts to suppliers and contractors</b>	15002078	21346034	21299171	30305990
Incl. Materials and gas	7466345	10623652	3503949	4985670
Incl. Services	1118743	1591828	1059772	1507920
Incl. Scrap, various services related to scrap delivery, processing	3711748	5281342	2535043	3607041
Incl. Fixed assets	191107	271921	135112	192247
Incl. Medical department creditors	1594	2268	2259	3214
Incl. Settlements with enterprises and other business partners - non-residents	2421633	3445673	14037440	19973478
Incl. Other Creditors	90908	129350	25596	36420
<b>Debts to related enterprises</b>	110247	156867	105305	149836
<b>Debts to associated enterprises</b>	49571	70533	32613	46404
<b>Taxes and social insurance payments</b>	2175964	3096118	1436677	2044207
Incl. State tax	686	976	694	987
Incl. Residents' Income tax	410878	584627	307703	437822
Incl. VAT		0		0
Incl. Social Security tax	549112	781316	320065	455411
Incl. Packing tax		0	3535	5030
Incl. Nature resources tax	21205	30172	18940	26949
Incl. Corporate Income tax	1194083	1699027	785740	1118007
Incl. Real estate (land) tax		0		0
<b>Other creditors (liabilities)</b>	1217259	1732004	893577	1271446
Incl. Payments for salaries	1176699	1674292	857821	1220569
Incl. Deductions from salaries	40560	57712	35756	50876
<b>Deferred income</b>	0	0	0	0
<b>Total Creditors:</b>	<b>34687720</b>	<b>49356179</b>	<b>38971741</b>	<b>55451792</b>

**4. Net turnover (revenue) by products  
for 9 months of the year 2007**

Product Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Rolled steel	172105485	244884043	140729093	200239459
Wire	1429	2033	1172091	1667735
Nails	0	0	305234	434309
Consumer goods	7428	10569	8176	11633
Castings	2416409	3438240	1634015	2324994
Services	176739	251477	170956	243248
Sold steam, gCal	11262	16024	10586	15063
Medical department	725468	1032248	500679	712402
Transportation services	41570	59149	60329	85840
Slag	0	0	206605	293972
<b>TOTAL</b>	<b>175485790</b>	<b>249693784</b>	<b>144797764</b>	<b>206028657</b>

**5. Net turnover by geographic markets  
for 9 months of the year 2007**

Market	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Latvia	20134580	28648926	11240025	15993115
Lithuania	11874542	16895951	7720512	10985299
Estonia	6734187	9581885	4019715	5719539
European Union countries	101690668	144692785	95434432	135790963
Russia	27401708	38989118	4437104	6313430
Other third countries	7650105	10885119	21945976	31226311
<b>Total</b>	<b>175485790</b>	<b>249693784</b>	<b>144797764</b>	<b>206028657</b>



**JSC "Liepājas metalurģs"**

**6. Production costs of sold goods  
for 9 months of the year 2007**

Cost Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Materials	110127867	156697838	91805094	130626880
Salaries and wages	10770253	15324689	8177793	11635951
Social benefits deductions	2524163	3591560	1930866	2747375
Energy resources	12590728	17914992	10141256	14429707
Depreciation	4104043	5839527	3898753	5547426
Other costs	4656849	6626099	5966400	8489422
<b>Total</b>	<b>144773903</b>	<b>205994705</b>	<b>121920162</b>	<b>173476762</b>

**JSC "Liepājas metalurģs"**

**7. Sales costs  
for 9 months of year 2007**

Cost Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Packing materials	123920	176322	129322	184009
Transportation costs	1247689	1775302	617849	879120
Freight	2096433	2982955	2713257	3860617
Port handling charges	759442	1080589	1021749	1453818
Advertising and marketing costs	73105	104019	107797	153381
Other sales costs	381393	542673	142257	202413
Costs related to L/C	9113	12967	31432	44724
Costs related to factoring	53662	76354	215822	307087
Guarantee payments	2047	2913	0	0
<b>Total</b>	<b>4746804</b>	<b>6754094</b>	<b>4979485</b>	<b>7085169</b>

**8. Administration costs  
for 9 months of the year 2007**

Costs Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Salaries and social costs	3877317	5516925	4185850	5955928
Communication costs	94784	134865	105284	149806
Office supplies and office maintenance costs	1219098	1734620	926477	1318258
Legal and auditing fees	352703	501851	171876	244558
Presentation costs	88612	126084	88377	125749
Depreciation of fixed assets	321178	456995	346577	493135
Traveling expenses	102156	145355	87866	125022
Management training	13024	18531	12257	17440
Costs for bank account services	12535	17836	52621	74873
Costs related to stockholders	9963	14176	1164	1656
<b>Total</b>	<b>6091370</b>	<b>8667239</b>	<b>5978349</b>	<b>8506424</b>

**9. Other operating income  
for 9 months of the year 2007**

Income Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Sale of current assets	1061619	1510548	994339	1414817
Transit cargo income	0	0	8846	12587
Sale of fixed assets and liquidation	129883 0	184807 0	60316	85822
Currency exchange income	420885	598865	761033	1082852
Received fines	25425	36177	12697	18066
Written-off revaluation reserve of fixed assets	211762	301310	220863	314260
Bad debt recovery	205121	291861	85	121
Other income from operating activity	134141	190865	143127	203651
<b>Total</b>	<b>2188836</b>	<b>3114433</b>	<b>2201306</b>	<b>3132176</b>

**JSC "Liepājas metalurģs"**

**10. Other operating costs  
for 9 months of the year 2007**

Costs Description	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Sales costs of current assets	752677	1070963	820511	1167482
Transit cargo expenses	0	0	10614	15102
Costs related to the sale and liquidation of fixed assets	96471	137266	203888	290106
Currency exchange loss	662168	942180	937860	1334455
Costs of reserve establishment	0	0	2400000	3414892
Provisions for bad debts	44884	63864	0	0
Bad debt write-off	102700	146129	0	0
Paid fines	66960	95275	53441	76040
Sponsorship and other costs	1541221	2192960	900586	1281418
Compensations	229641	326750	274078	389978
Other costs	185183	263492	297638	423501
Costs of infrastucture maintenance	28755	40915	14639	20829
<b>Total</b>	<b>3710660</b>	<b>5279794</b>	<b>5913255</b>	<b>8413804</b>

**JSC "Liepājas metalurģs"**

**11. Interest income  
for 9 months of the year 2007**

Income	For 9 months of year 2007		For 9 months of year 2006	
	LVL	EUR	LVL	EUR
Income from loans to business persons	106473	151497	120303	171176
Income from bank accounts	11341	16137	11226	15973
Income from deposit investments	52266	74368	7581	10787
<b>Total Interest Income:</b>	<b>170080</b>	<b>242002</b>	<b>139110</b>	<b>197936</b>