

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

Consolidated  
Quarterly Report

For 3 months of the year 2008

## **CONTENT**

Information About the Company

Management Statement

Statement Regarding the Management Responsibility

Balance Sheet

Profit and Loss Statement

Cash Flow Statement

Statement of Changes in Shareholders' Equity

Enclosures to the Annual Report:

Enclosures to Balance Sheet

Enclosures to Profit and Loss Statement

Information for personnel expenses

## INFORMATION ABOUT THE COMPANY

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

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

### Companies included in consolidation:

LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM)

number of shares - 95.17%.  
Business type - stevedoring services, cargo, ship broker service, ship agency.

Ltd. "Sport Club Liepājas metalurģs"

number of shares - 95%.  
Business type - organization of sporting events, promotion of healthy living, organization of recreation and social events.

Ltd. "Ice-Hockey Hall Liepājas metalurģs"

number of shares - 90%.  
Business type - operation of the sport hall and stadium.

Ltd. "Rūķis LM"

number of shares - 100%.  
Construction materials production, waste and crushed slag processing.

### Companies not included in consolidation:

Ltd. "SMA LM Mineral"

number of shares - 50%.  
production of lime, services.

JSC "Sātiņi LM"

number of shares - 100%.  
limestone extraction, processing, and realization.

LSEZ Ltd. "Elme-Messer-Metalurģs"

number of shares - 49%.  
production of industrial gas.

JSC "Liepājas tranzīta ekspresis"

number of shares - 24%.  
transport agents, realization of oil/fuel products, rail transport services (is decided to close).

Ltd. "Metalurģs and Duna"

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

### Minority shareholders

Minority shareholders of the companies involved in the consolidation are:

LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM)	4.83% 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
	5% shares - Latvian Olympics Committee

### 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 Range Fluctuation
IAS 27	Consolidated and Non-Consolidated Financial Statements I Reports
IAS 39	Financial Tools: Recognition and Valuation

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

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

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

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

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

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

Revaluation of fixed assets is performed periodically. In compliance with the International Valuation standards, BDO "Invest Rīga" conducted the Fixed Assets revaluation in order to provide support for the 2004 and 2007 (completed on December 31) financial needs of the JSC "Liepājas metalurģs". As a result of this revaluation the value increase was recorded, which is shown in the Shareholders Equity item called "Long-Term Assets Revaluation Reserve".

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

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

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

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

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

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

**Provisions** are formed by the deferred corporate income tax, and savings from the unused vacation and social payments.

## **Joint-Stock Company "Liepājas Metalurģs" Management Statement Regarding the Consolidated Quarterly Report for 3 months of the year 2008.**

The Company's non-audited Net Turnover in the reporting period was LVL 48.9 mill. (EUR 69.5 mill.), which was 10.2 million LVL (EUR 14.5 mill.) less than in 3 months of the year 2007.

The Company's Profit in the reporting period was 0.7 million LVL (EUR 1 mill.), which was 0.6 million LVL (EUR 0.8 mill.) less than in the same period in previous year.

The profit and net turnover decrease were primarily attributed to the bigger price increase in raw materials than price increase of sold finished goods. The Company's Assets in first Quarter 2008 amount 175.2 million LVL (EUR 249.3 mill.), which is 59.6 million LVL (EUR 84.8 mill.) more than in first Quarter 2007. The Shareholders' Equity at the end of reporting period is 119.8 million LVL (EUR 170.5 mill.), which is 54.7 million LVL (EUR 77.9 mill.) more than in the same period in the previous year.

The Company's technical development during the reporting period was primarily directed at:

- the continuation of activities concerning the steel melting production practice and related to its modernization program coordination and financing
- new cargo types development
- installment of the new technology and its integration for making street paving and curbs products

JSC "Liepājas Metalurģs" Chairman of the Board	_____	/V.Terentjevs/
Member of the Board	_____	/I.Segals/
Member of the Board	_____	/L.Ptičkina/

## **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, 2008 as well as the results of its operations and cash flow for 3 months of the year 2008. The above-mentioned financial statements are prepared in accordance with the requirements of the International Accounting Standards for the financial statements, which are acceptable in the European Union. During the preparation of the financial statements the management:

- has been using and applying the appropriate accounting methods
- has been issuing justified and conservative conclusions and estimates
- has been adhering in accordance with the principle of the management's continuation

In the name of the JSC "Liepājas metalurģs",

Chairman of the Board	_____	/V.Terentjevs/
Member of the Board	_____	/I.Segals/
Member of the Board	_____	/L.Ptičkīns/

### BALANCE SHEET

ASSETS	Enclosure Number	31.03.2008 LVL	31.03.2008 EUR	31.03.2007 LVL	31.03.2007 EUR
<b>1. LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Concessions, patents, licenses, trademarks and similar rights		82601	117531	73116	104035
2. Other intangible assets		0	0	3410	4852
3. Goodwill		249442	354924	327473	465952
4. Advance payments for intangible investments		9987	14210	4560	6488
<b>I.TOTAL:</b>		<b>342030</b>	<b>486665</b>	<b>408559</b>	<b>581327</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions, and long-term sites		54788408	77956881	29417065	41856713
2. Long-term investments in rented fixed assets		5102514	7260223	4741696	6746826
3. Technological equipment and machinery		36585550	52056548	22523729	32048379
4. Other fixed assets and inventory		3628463	5162838	2407082	3424969
5. Fixed assets formation and costs of unfinished construction sites		5047962	7182603	3262012	4641425
6. Advance payments for fixed assets		163627	232820	1871230	2662520
<b>II. TOTAL:</b>		<b>105316524</b>	<b>149851913</b>	<b>64222814</b>	<b>91380832</b>
<b>III. Investment properties</b>					
Investment properties		4882333	6946934	3718574	5291054
<b>IV. Long-term financial investments</b>					
1. Share in the capital of related companies (subsidiaries)		0	0	0	0
2. Share in the capital of associated companies		636263	905321	608823	866277
3. Other loans		9920	14115	154337	219602
<b>IV. TOTAL:</b>		<b>646183</b>	<b>919436</b>	<b>763160</b>	<b>1085879</b>
<b>Section 1 total amount:</b>		<b>111187070</b>	<b>158204948</b>	<b>69113107</b>	<b>98339092</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		17815822	25349631	12930733	18398775
2. Unfinished products, Work in Process		1322533	1881795	634985	903502
3. Finished products and goods for sales		23480091	33409160	8483895	12071495
4. Incompleted orders		6107	8689	4306	6127
5. Advance payments for goods		2358084	3355251	2288912	3256828
6. Labour animals and productive animals		160	228	100	142
<b>I. TOTAL:</b>		<b>44982797</b>	<b>64004754</b>	<b>24342931</b>	<b>34636870</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		9784012	13921395	15520942	22084311
2. Debt of associated enterprises		10190	14499	65393	93046
3. Other debtors (accounts receivable)		2894225	4118111	2431498	3459710
4. Short-term loans to co-owners and management of the company		0	0	0	0
5. Prepaid expenses		159060	226322	88844	126414
<b>II.TOTAL:</b>	<b>1</b>	<b>12847487</b>	<b>18280327</b>	<b>18106677</b>	<b>25763480</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>		6168044	8776336	4028865	5732558
<b>IV. TOTAL:</b>		<b>6168044</b>	<b>8776336</b>	<b>4028865</b>	<b>5732558</b>
<b>Section 2 total amount</b>		<b>63998328</b>	<b>91061417</b>	<b>46478473</b>	<b>66132909</b>
<b>TOTAL ASSETS</b>		<b>175185398</b>	<b>249266364</b>	<b>115591580</b>	<b>164472001</b>



LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.03.2008 LVL	31.03.2008 EUR	31.03.2007 LVL	31.03.2007 EUR
<b>1. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		63256120	90005350	25078042	35682839
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		21959004	31244848	21959004	31244848
<b>3. TOTAL:</b>		<b>21959004</b>	<b>31244848</b>	<b>21959004</b>	<b>31244848</b>
4. Retained earnings: a) undistributed profit from the previous years		<b>16949760</b>	24117336	<b>-182895</b>	-260236
4. Retained earnings: b) undistributed profit of the reporting year		741683	1055320	1399678	1991562
4. Retained earnings: c) Minority shareholders		-43999	-62605	-125897	-179135
4. Retained earnings: b+c undistributed profit of the reporting year		697684	992715	<b>1273781</b>	1812427
Section 1 total amount:		<b>119843601</b>	170522082	<b>65108965</b>	92641711
Minority shareholders		<b>406459</b>	578339	<b>357071</b>	508066
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		155336	221023	1524986	2169860
2. Other provisions		1952109	2777601	7930411	11283958
Section 2 total amount:		<b>2107445</b>	2998624	<b>9455397</b>	13453818
<b>3. LIABILITIES (Accounts payable)</b>					
<b>I. Long-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		2311834	3289443	1345452	1914406
2. Other loans		143720	204495	161482	229768
3. Debts to suppliers and contractors		0	0	0	0
4. Other liabilities		276513	393443	661977	941908
<b>I. TOTAL:</b>		<b>2732067</b>	3887381	<b>2168911</b>	3086082
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		9297851	13229650	5520513	7854982
2. Other loans		4361046	6205209	4945731	7037141
3. Advance payments received from customers		25306941	36008533	15380214	21884073
4. Suppliers and contractors trade account payable		8640581	12294439	9820323	13973061
5. Accrued liabilities (payable bills of exchange)		10924	15543	7545	10736
6. Payable (debt) to associated companies		25137	35767	50917	72448
7. Taxes and state social insurance payments		1145602	1630045	1602885	2280700
8. Other liabilities		1292598	1839201	1156996	1646257
9. Deferred income		0	0	966	1374
10. Unpaid dividends for previous years		15146	21551	15146	21551
<b>II. TOTAL:</b>		<b>50095826</b>	<b>71279939</b>	<b>38501236</b>	<b>54782323</b>
Section 3 total amount:	2	<b>52827893</b>	<b>75167320</b>	<b>40670147</b>	<b>57868406</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>175185398</b>	<b>249266364</b>	<b>115591580</b>	<b>164472001</b>

JSC "Liepājas Metalurģs"  
 Chairman of the Board

\_\_\_\_\_

/V.Terentjevs/

Member of the Board

\_\_\_\_\_

/I.Segals/

Member of the Board

\_\_\_\_\_

/L.Ptičkins/

### PROFIT AND LOSS STATEMENT

Parameter designation	Enclosure Number	At the end of the report period LVL	At the end of the report period EUR	3 months 2007 LVL	3 months 2007 EUR
2	3	4	5	6	7
<b>Net turnover</b>	3, 4	<b>48865216</b>	<b>69528938</b>	<b>59069780</b>	<b>84048725</b>
<b>Production costs of goods sold</b>	5	<b>-42659784</b>	<b>-60699404</b>	<b>-47649797</b>	<b>-67799553</b>
<b>Gross profit or loss (from turnover)</b>		<b>6205432</b>	<b>8829534</b>	<b>11419983</b>	<b>16249172</b>
<b>Sales costs</b>	6	<b>-2557613</b>	<b>-3639155</b>	<b>-4210066</b>	<b>-5990384</b>
<b>Administration costs</b>	7	<b>-2153667</b>	<b>-3064392</b>	<b>-2073845</b>	<b>-2950816</b>
<b>Other operating income</b>	8	<b>667132</b>	<b>949243</b>	<b>788382</b>	<b>1121767</b>
<b>Other operating costs</b>	9	<b>-898856</b>	<b>-1278957</b>	<b>-3540862</b>	<b>-5038193</b>
<b>Interest income and other similar income</b>		<b>62105</b>	<b>88367</b>	<b>9284</b>	<b>13210</b>
<b>Interest payments and similar expenses</b>		<b>-227571</b>	<b>-323804</b>	<b>-143179</b>	<b>-203725</b>
<b>Profit or loss before extraordinary items and taxes</b>		<b>1096962</b>	<b>1560836</b>	<b>2249697</b>	<b>3201030</b>
<b>Income tax for the reporting period</b>		<b>-342000</b>	<b>-486622</b>	<b>-872300</b>	<b>-1241171</b>
<b>Deferred tax</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other taxes</b>		<b>-57278</b>	<b>-81499</b>	<b>-103616</b>	<b>-147432</b>
<b>Reporting period profit or loss after taxes for the consolidated financial statement</b>		<b>697684</b>	<b>992715</b>	<b>1273781</b>	<b>1812427</b>

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

JSC "Liepājas Metalurģs"  
 Chairman of the Board \_\_\_\_\_ /V.Terentjevs/  
 Member of the Board \_\_\_\_\_ /I.Segals/  
 Member of the Board \_\_\_\_\_ /L.Ptičkins/

**CASH FLOW STATEMENT**  
**(by direct method)**

	Reporting period		3 months of the year 2007	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	65804365	93631176	59490582	84647472
Cash received from other business activities	165742	235830	292137	415674
VAT overpayment received	3887586	5531537	2408076	3426383
Cash paid to suppliers and employees	-61699343	-87790256	-53675569	-76373454
<i>Cash received from the core business activity</i>	<i>8158350</i>	<i>11608286</i>	<i>8515226</i>	<i>12116075</i>
Interest payment	-258585	-367933	-189039	-268978
Corporate income tax payments	-4760	-6773	-5179	-7369
Other tax payments	-3245001	-4617220	-3844978	-5470911
<b>Net cash flow from the core business activity</b>	<b>4650004</b>	<b>6616360</b>	<b>4476030</b>	<b>6368817</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Investments in associated and related companies	-27440	-39044	-24000	-34149
Sale of fixed assets and intangible assets	0	0	864	1229
Acquisition of fixed assets	-681692	-969960	-916971	-1304732
Long-term credit to students of JSC "LM" and other loans	0	0	-512	-729
Other loans granted	-1664	-2368	-2588	-3682
Interests received from the loan	38276	54462	71	101
<b>Net cash flow from investment operations</b>	<b>-672520</b>	<b>-956910</b>	<b>-943136</b>	<b>-1341962</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short term borrowings, net value (credit line)	-6405356	-9114000	-4110498	-5848712
Long term borrowings	1849956	2632250	4714	6707
Paid liabilities for financial leasing	0	0	-71449	-101663
Loans to associated companies	0	0	-22000	-31303
Other long-term loans	0	0	-3875	-5514
Loan repayments	-106298	-151248	348176	495410
Repayment of loans of associated and related companies	22599	32155	34433	48994
Subsidies	65752	93557	56924	80996
<b>Net cash flow from financing activities</b>	<b>-4573347</b>	<b>-6507287</b>	<b>-3763575</b>	<b>-5355085</b>
Result of foreign currency exchange rate fluctuations	-31761	-45192	42102	59906
Net growth of cash and its equivalents	-627624	-893028	-188579	-268324
Cash and its equivalents at the beginning of accounting period	6795668	9669364	4217444	6000882
Cash and its equivalents at the end of accounting period	6168044	8776336	4028865	5732558

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Revaluation reserve of long term investments	Reserves stated by Statute	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
<b>As of 31.12.2006</b>	<b>16981033</b>	<b>25274484</b>	<b>0</b>	<b>12491727</b>	<b>9637520</b>	<b>18</b>	<b>64384782</b>
Profit in reserves				9467277	-9637520	170243	0
Undistributed profit of the reporting period					17188774		17188774
Minority shareholders						-116310	-116310
Reserves distribution							0
Increase of revaluation reserve		38605653					38605653
Written-off revaluation reserve		-470296					-470296
<b>As of 31.12.2007</b>	<b>16981033</b>	<b>63409841</b>	<b>0</b>	<b>21959004</b>	<b>17188774</b>	<b>53951</b>	<b>119592603</b>
Profit in reserves					-17188774	17188774	0
Undistributed profit of the review period					697684		697684
Minority shareholders						-292965	-292965
Reserves distribution							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-153721					-153721
<b>As of 31.03.2008</b>	<b>16981033</b>	<b>63256120</b>	<b>0</b>	<b>21959004</b>	<b>697684</b>	<b>16949760</b>	<b>119843601</b>

	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 31.12.2006</b>	<b>24161833</b>	<b>35962351</b>	<b>0</b>	<b>17774126</b>	<b>13712956</b>	<b>26</b>	<b>91611292</b>
Profit in reserves				13470722	-13712956	242234	0
Reserves distribution							0
Undistributed profit of the reporting period					24457422		24457422
Minority shareholders						-165494	-165494
Increase of revaluation reserve		54930895					54930895
Written-off revaluation reserve		-669171					-669171
<b>As of 31.12.2007</b>	<b>24161833</b>	<b>90224075</b>	<b>0</b>	<b>31244848</b>	<b>24457422</b>	<b>76766</b>	<b>170164944</b>
Profit in reserves					-24457422	24457421.98	0
Undistributed profit of the review period					992715		992715
Minority shareholders						-416852	-416852
Increase of revaluation reserve							0
Reserves distribution							0
Written-off revaluation reserve		-218725					-218725
<b>As of 31.03.2008</b>	<b>24161833</b>	<b>90005350</b>	<b>0</b>	<b>31244848</b>	<b>992715</b>	<b>24117336</b>	<b>170522082</b>

## ENCLOSURES TO THE ANNUAL REPORT

### ENCLOSURES TO BALANCE SHEET

#### 1. ACCOUNTS RECEIVABLE (DEBTORS)

Accounts Receivable	As of 31.03.2008		As of 31.03.2007	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies' debts</b>	<b>9794202</b>	<b>13935894</b>	<b>15586335</b>	<b>22177357</b>
Incl. Debts of buyers and customers	9262526	13179387	12336259	17552915
Incl. Debts of buyers with factoring activities	521486	742008	3184683	4531396
Incl. Debts of associated enterprises (Doubtful debtors debt)	10190 /59744/	14499 /85008/	65393 /556918/	93046 /792423/
<b>Other debtors</b>	<b>2894225</b>	<b>4118111</b>	<b>2431498</b>	<b>3459710</b>
Incl. Provision for VAT and unpaid VAT	25612	36443	418266	595139
Incl. Advance payments	28427	40448	26931	38319
Incl. VAT budget overpayments	2320560	3301859	1899418	2702628
Incl. Various debtors	71649	101947	41175	58587
Incl. Overpaid salaries	150	213	167	238
Incl. Other overpaid taxes	28258	40208	43631	62081
Incl. Advance prepayment for Corporate income tax	401697	571563	0	0
Incl. Debt for caused damages to the enterprise	120	171	210	299
Incl. Security amounts in auction	10592	15071	1200	1707
Incl. Advance payments for services	7160	10188	500	711
<b>Short-term loans to employees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Future periods payments</b>	<b>159060</b>	<b>226322</b>	<b>88844</b>	<b>126414</b>
Incl. Press expenses	6724	9567	6493	9239
Incl. Property insurance	76308	108577	56071	79782
Incl. Payment for services	0	0	23887	33988
Incl. Publicity and Advertisement	41250	58693	0	0
Incl. Various	34778	49485	2393	3405
<b>Total Debtors:</b>	<b>12847487</b>	<b>18280327</b>	<b>18106677</b>	<b>25763480</b>

**2. ACCOUNTS PAYABLE (CREDITORS)**

CREDITORS	As of 31.03.2008		As of 31.03.2007	
	LVL	EUR	LVL	EUR
<b>Long-term creditors (credit institutions)</b>	<b>2311834</b>	<b>3289443</b>	<b>1345452</b>	<b>1914406</b>
<b>Other long-term borrowings</b>	<b>143720</b>	<b>204495</b>	<b>757296</b>	<b>1077535</b>
<b>Other long-term creditors</b>	<b>276512</b>	<b>393441</b>	<b>0</b>	<b>0</b>
<b>Short-term borrowings from credit institutions</b>	<b>9297851</b>	<b>13229650</b>	<b>5520513</b>	<b>7854982</b>
<b>Short term debt from leasing "Hansalizings", "Unilizings")</b>	<b>63946</b>	<b>90987</b>	<b>115996</b>	<b>165047</b>
<b>Advance payments (from residents)</b>	<b>190115</b>	<b>270509</b>	<b>2634050</b>	<b>3747915</b>
<b>Advance payments (from non-residents)</b>	<b>25116826</b>	<b>35738024</b>	<b>12400019</b>	<b>17643637</b>
<b>Other borrowings (factoring)</b>	<b>1009455</b>	<b>1436325</b>	<b>4895899</b>	<b>6966237</b>
Other borrowings (Cemex)	<b>3287645</b>	<b>4677897</b>	<b>0</b>	<b>0</b>
<b>Debts to suppliers and contractors</b>	<b>8640581</b>	<b>12294439</b>	<b>10166468</b>	<b>14465581</b>
Incl. Materials and gas	5105716	7264779	4447653	6328440
Incl. Services	1555401	2213136	1975480	2810855
Incl. Scrap, various services related to scrap delivery, processing	1787328	2543139	3448277	4906456
Incl. Fixed assets	165804	235918	135512	192816
Incl. Medical department creditors	4029	5733	1140	1622
Incl. Other Creditors	22303	31734	158406	225391
<b>Debts to associated enterprises</b>	<b>25137</b>	<b>35767</b>	<b>50917</b>	<b>72448</b>
<b>Taxes and social security insurance payments</b>	<b>1145603</b>	<b>1630046</b>	<b>1602885</b>	<b>2280700</b>
Incl. State tax	858	1221	785	1117
Incl. Residents' Income tax	424886	604558	391977	557733
Incl. Real estate tax	5252	7473	17721	25215
Incl. Social Security tax	659887	938935	489439	696409
Incl. Nature resources tax	24517	34885	27484	39106
Incl. Enterprise's Income tax	1782	2536	672867	957403
Incl. Value added tax	28421	40439	2612	3717
<b>Other creditors (liabilities)</b>	<b>1292598</b>	<b>1839201</b>	<b>1156995</b>	<b>1646256</b>
Incl. Payments for salaries	1255744	1786763	1118784	1591886
Incl. Deductions from salaries	36454	51869	38211	54369
Incl. Debt to accountable persons	400	569	0	0
<b>Accrued liabilities</b>	<b>10924</b>	<b>15543</b>	<b>7545</b>	<b>10736</b>
<b>Deferred Income</b>	<b>0</b>	<b>0</b>	<b>966</b>	<b>1374</b>
<b>Unpaid Dividends</b>	<b>15146</b>	<b>21551</b>	<b>15146</b>	<b>21551</b>
<b>Total Creditors:</b>	<b>52827893</b>	<b>75167320</b>	<b>40670147</b>	<b>57868406</b>

## ENCLOSURES TO PROFIT AND LOSS STATEMENT

### 3. NET TURNOVER (REVENUE)

Product Description	For 3 months of year 2008		For 3 months of year 2007	
	LVL	EUR	LVL	EUR
Rolled steel	45435161	64648410	54562971	77636113
Wire	0	0	567	807
Consumer goods	0	0	1947	2770
Castings	199192	283425	653456	929784
Services	65502	93201	49464	70381
Sold steam, gCal	6384	9084	4916	6995
Medical department	263874	375459	217836	309953
Transportation services	11662	16594	29628	42157
Stevedoring services	1018748	1449548	939092	1336208
Broker services	498395	709152	516665	735148
Freightage services	86240	122708	435919	620257
Forwarder and other services	1108375	1577076	1478780	2104114
Sports	76971	109520	72989	103854
Beton (concrete) wares	85061	121031	89772	127734
Publicity and Advertisement	9651	13732	15778	22450
<b>TOTAL</b>	<b>48865216</b>	<b>69528938</b>	<b>59069780</b>	<b>84048725</b>



**4. NET TURNOVER BY GEOGRAPHIC MARKETS**

Market	For 3 months of year 2008		For 3 months of year 2007	
	LVL	EUR	LVL	EUR
Latvia	5729683	8152604	7644644	10877348
Lithuania	3884372	5526963	3873368	5511306
Estonia	807952	1149612	1953139	2779066
European Union countries	30111235	42844427	39477733	56171753
Russia	4724421	6722245	3321925	4726673
Other third countries	3607553	5133085	2798971	3982577
<b>Total</b>	<b>48865216</b>	<b>69528938</b>	<b>59069780</b>	<b>84048725</b>

#### 5. PRODUCTION COSTS OF SOLD GOODS

Cost Description	3 months for year 2008		3 months for year 2007	
	LVL	EUR	LVL	EUR
Materials	29412692	41850490	35727551	50835725
Salaries and wages	3734317	5313454	3572340	5082982
Social benefits deduction	877840	1249054	866396	1232770
Energy resources	4480117	6374632	4111209	5849723.394
Depreciation	1929819	2745885	1607704	2287557
Other costs	2208966	3143075	1759617	2503709
Write-off of nonmaterial values	16033	22813	5180	7370
<b>Total</b>	<b>42659784</b>	<b>60699404</b>	<b>47649997</b>	<b>67799838</b>

#### 6. SALES EXPENSES

Cost Description	For 3 months of year 2008		For 3 months of year 2007	
	LVL	EUR	LVL	EUR
Packing materials	29388	41815	34207	48672
Transportation costs	437068	621892	347102	493882
Freight	553733	787891	105533	150160
Port handling charges	17612	25060	4837	6882
Advertising and marketing costs	9573	13621	11689	16632
Other sales costs	186063	264744	68271	97141
Logistics services costs	1196358	1702264	3402555	4841400
Sports organizing costs	121779	173276	202777	288526
Costs related to L/C and factoring transactions	6039	8593	33095	47090
<b>Total</b>	<b>2557613</b>	<b>3639155</b>	<b>4210066</b>	<b>5990384</b>

## 7. ADMINISTRATION EXPENSES

Cost Description	For 3 months of year 2008		For 3 months of year 2007	
	LVL	EUR	LVL	EUR
Salaries and social costs	1374376	1955561	1490269	2120462
Communication costs	35068	49897	38447	54705
Office supplies and office maintenance costs	355441	505747	296193	421445
Legal and auditing fees	127458	181356	30151	42901
Presentation costs	34560	49174	19011	27050
Depreciation of fixed assets	135970	193468	110832	157700
Traveling expenses	22742	32359	27163	38649
Management training	4421	6291	1601	2278
Costs of bank account services	4941	7030	58055	82605
Costs related to stockholders	57315	81552	101	144
Operative leasing	1375	1956	2022	2877
<b>Total</b>	<b>2153667</b>	<b>3064392</b>	<b>2073845</b>	<b>2950816</b>

**8. OTHER OPERATING INCOME**

Income Description	3 months of year 2008		3 months of year 2007	
	LVL	EUR	LVL	EUR
Sale of current assets	345844	492092	275751	392358
Sale of fixed assets and liquidation	394 4533	561 6450	97721 6244	139044 8884
Written-off revaluation reserve of fixed assets	153722	218727	196441	279510
Bad debt recovery	9674	13765	53750	76479
Recieved fine payments	8332	11855	163	232
Dotation (allowance)	90747	129121	148083	210703
Other income from operating activity	53886	76673	10229	14555
<b>Total</b>	<b>667132</b>	<b>949243</b>	<b>788382</b>	<b>1121767</b>

**9. OTHER OPERATING COSTS**

Cost Description	3 months of year 2008		3 months of year 2007	
	LVL	EUR	LVL	EUR
Sales costs of current assets	185041	263290	173545	246932
Costs related to the sale and liquidation of fixed assets	88797	126347	80930	115153
Costs of previous period	106422	151425	0	0
Provisions for bad debts	0	0	40348	57410
Currency exchange loss	172633	245635	8557	12176
Costs of reserve establishment	0	0	3000000	4268615
Compensation for damage and other allowances	141784	201740	77484	110250
Paid fines	23891	33994	11026	15689
Costs of infrastructure maintenance	25235	35906	5094	7248
Other costs and sponsorship	20449	29096	136392	194068
Other costs	91756	130557	7486	10652
Costs of representative auto maintenance	10662	15171	0	0
Training of new employees	3035	4318	0	0
Costs not related to the operating activities	29151	41478	0	0
<b>Total</b>	<b>898856</b>	<b>1278957</b>	<b>3540862</b>	<b>5038193</b>

**INFORMATION FOR PERSONNEL EXPENSES**

	JSC "Liepājas Metalurģs"	JSC "Port LM"	Ltd. Football - hockey club	Ltd. "Olympic center ice - hockey hall"	JSC "Rūķis LM"	TOTAL in the consolidated annual report
1. Average number of employees						
<b>3 mo. 2008</b>	2626	272	123	19	47	3087
3 mo. 2007	2618	242	109	19	46	3034
2. Personnel expenses, LVL, (including salaries and wages)						
<b>LVL 3 mo. 2008</b>	<b>4819131</b>	<b>343866</b>	<b>115069</b>	<b>25256</b>	<b>77336</b>	<b>5380658</b>
EUR 3 mo. 2008	6857006	489277	163728	35936	110039	7655987
<b>LVL 3 mo. 2007</b>	<b>3733728</b>	<b>285133</b>	<b>77999</b>	<b>17247</b>	<b>54631</b>	<b>4168738</b>
EUR 3 mo. 2007	5312616	405708	110983	24540	77733	5931580
3. Average earning LVL						
<b>LVL 3 mo. 2008</b>	<b>611.72</b>	<b>421.40</b>	<b>311.84</b>	<b>443.09</b>	<b>548.48</b>	<b>581.00</b>
EUR 3 mo. 2008	870.40	599.60	443.71	630.46	780.42	826.69
<b>LVL 3 mo. 2007</b>	<b>475.39</b>	<b>392.75</b>	<b>238.53</b>	<b>302.59</b>	<b>396.00</b>	<b>458.00</b>
EUR 3 mo. 2007	676.42	558.83	339.40	430.55	563.46	651.68

LVL to EUR currency exchange rate 0.702804 (divide).