

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

Consolidated
Quarterly Report

For 6 months of the year 2008

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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 hardware, commerce and mediator activity, transport services, sports and medical services.

JSC "Liepājas metalurģs" has an ownership in various 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 - 50%.
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 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 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. 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 6 months of the year 2008.

The Company’s non-audited Net Turnover in the reporting period was LVL 133.1 mill. (EUR 189.4 mill.), which was 3.9 million LVL (EUR 5.5 mill.) less than in 6 months of the year 2007.

The Company’s Profit in the reporting period was 4.7 million LVL (EUR 6.7 mill.), which was 3.4 million LVL (EUR 4.8 mill.) less than in the same period of the previous year.

The Company’s profit decrease compared to the same period in previous year decrease was primarily attributed to the bigger price increase in raw materials than price increase for the finished goods sold.

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
- installment of the new technology and its integration for making street paving and curbs products
- new cargo types development

JSC “Liepājas Metalurģs” Chairman of the Board	_____	/V.Terentjevs/
Member of the Board	_____	/I.Segals/
Member of the Board	_____	/L.Ptičkins/

Statement Regarding the Management Responsibility.

The JSC "Liepājas 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 June 30, 2008 as well as the results of its operations and cash flow for 6 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.Ptičkins/

BALANCE SHEET

ASSETS	Enclosure Number	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
1. LONG-TERM INVESTMENTS					
I. Intangible investments					
1. Concessions, patents, licenses, trademarks and similar rights		75731	107756	83135	118290
2. Other intangible assets		0	0	0	0
3. Goodwill		232813	331263	315960	449571
4. Advance payments for intangible investments		9987	14210	4560	6488
I.TOTAL:		318531	453229	403655	574349
II. Fixed assets					
1. Land, buildings and constructions, and long-term sites		54169025	77075579	29019960	41291683
2. Long-term investments in rented fixed assets		5173208	7360812	4768686	6785229
3. Technological equipment and machinery		35778000	50907508	21984462	31281071
4. Other fixed assets and inventory		3549770	5050868	2483553	3533778
5. Fixed assets formation and costs of unfinished construction sites		6409573	9120001	4421170	6290758
6. Advance payments for fixed assets		209656	298314	2200811	3131472
II. TOTAL:		105289232	149813080	64878642	92313991
III. Investment properties					
Investment properties		4882333	6946934	3718574	5291054
IV. Long-term financial investments					
1. Share in the capital of related companies (subsidiaries)		8420	11981	0	0
2. Share in the capital of associated companies		649843	924643	608823	866277
3. Other loans		17919	25496	155590	221385
IV. TOTAL:		676182	950140	764413	1087662
Section 1 total amount:		111166278	158175363	69765284	99267056
2. CURRENT ASSETS					
I. Stock (Inventories)					
1. Raw materials, basic and auxiliary materials		27835587	39606472	11122445	15825813
2. Unfinished products, Work in Process		1552479	2208979	911391	1296793
3. Finished products and goods for sales		19771281	28131998	9784042	13921438
4. Incompleted orders		1319	1877	260	370
5. Advance payments for goods		3499334	4979104	1910477	2718364
6. Labour animals and productive animals		160	228	100	142
I. TOTAL:		52660160	74928657	23728715	33762920
II. Accounts receivable (Debtors)					
1. Trade accounts receivable		9646969	13726400	10596110	15076906
2. Debt of associated enterprises		23126	32905	69253	98538
3. Other debtors (accounts receivable)		6648205	9459543	2560310	3642993
4. Short-term loans to co-owners and management of the company		0	0	0	0
5. Prepaid expenses		133738	190292	140421	199801
II.TOTAL:	1	16452038	23409141	13366094	19018238
III. Short-term financial investments		0	0	0	0
III. TOTAL:		0	0	0	0
IV. Cash		10079006	14341134	4450110	6331936
IV. TOTAL:		10079006	14341134	4450110	6331936
Section 2 total amount		79191204	112678932	41544919	59113094
TOTAL ASSETS		190357482	270854295	111310203	158380150

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
1. SHAREHOLDERS' EQUITY					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		63196875	89921052	25062721	35661039
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		38393389	54628871	21959004	31244848
3. TOTAL:		38393389	54628871	21959004	31244848
4. Retained earnings: a) undistributed profit from the previous years		527683	750825	-182900	-260243
4. Retained earnings: b) undistributed profit of the reporting year		4835470	6880254	8251281	11740515
4. Retained earnings: c) Minority shareholders		-128691	-183111	-186201	-264940
4. Retained earnings: b+c undistributed profit of the reporting year		4706779	6697143	8065080	11475575
Section 1 total amount:		123805759	176159724	71884938	102283052
Minority shareholders		405672	577219	357074	508071
2. PROVISIONS					
1. Provisions for anticipated taxes		155336	221023	1533629	2182157
2. Other provisions		1952109	2777601	11931465	16976945
Section 2 total amount:		2107445	2998624	13465094	19159103
3. LIABILITIES (Accounts payable)					
I. Long-term Creditors (Accounts payable)					
1. Loans from credit institutions		2457058	3496079	1298818	1848052
2. Other loans		1078299	1534281	272565	387825
3. Debts to suppliers and contractors		0	0	719439	1023669
4. Other liabilities		200000	284574	0	0
I. TOTAL:		3735357	5314934	2290822	3259546
II. Short-term Creditors (Accounts payable)					
1. Loans from credit institutions		1271453	1809115	759266	1080338
2. Other loans		7271350	10346199	3504546	4986520
3. Advance payments received from customers		37583970	53477171	6756494	9613625
4. Suppliers and contractors trade account payable		11368171	16175450	8937568	12717014
5. Accrued liabilities (payable bills of exchange)		20936	29789	0	0
6. Payable (debt) to associated companies		38468	54735	48783	69412
7. Taxes and state social insurance payments		1221379	1737866	2164860	3080318
8. Other liabilities		1405703	2000135	1125612	1601602
9. Deferred income		106673	151782	0	0
10. Unpaid dividends for previous years		15146	21551	15146	21551
II. TOTAL:		60303249	85803793	23312275	33170379
Section 3 total amount:	2	64038606	91118727	25603097	36429925
TOTAL LIABILITIES AND EQUITY		190357482	270854295	111310203	158380150

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

No.	Parameter designation	Enclosure Number	At the end of the report period LVL	At the end of the report period EUR	6 months 2007 LVL	6 months 2007 EUR
1	2	3	4	5	6	7
1	Net turnover	3, 4	133129884	189426759	129255358	183913805
2	Production costs of goods sold	5	-115463005	-164289055	-99854758	-142080520
3	Gross profit or loss (from turnover)		17666879	25137704	29400600	41833285
4	Sales costs	6	-7968318	-11337895	-7499101	-10670259
5	Administration costs	7	-4424782	-6295898	-4467059	-6356052
6	Other operating income	8	2278585	3242134	1446169	2057713
7	Other operating costs	9	-1718465	-2445155	-8011470	-11399295
8	Interest income and other similar income		121159	172394	39358	56001
9	Interest payments and similar expenses		-389824	-554670	-263085	-374336
10	Profit or loss before extraordinary items and taxes		5565234	7918615	10645412	15147057
11	Income tax for the reporting period		-752000	-1070000	-2364820	-3364836
12	Deferred tax		0	0	0	0
13	Other taxes		-106455	-151472	-215513	-306647
14	Reporting period profit or loss after taxes for the consolidated financial statement		4706779	6697143	8065079	11475574

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		6 months of the year 2007	
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Cash received from buyers	166856486	237415390	127156076	180926796
Cash received from other business activities	554064	788362	846813	1204906
VAT overpayment received	5723922	8144407	5269803	7498254
Cash paid to suppliers and employees	-144358808	-205404079	-112705969	-160366146
<i>Cash received from the core business activity</i>	<i>28775664</i>	<i>40944081</i>	<i>20566723</i>	<i>29263810</i>
Interest payment	-419063	-596273	-300100	-427004
Corporate income tax payments	-14042	-19980	-26798	-38130
Other tax payments	-9234720	-13139823	-7823061	-11131213
Net cash flow from the core business activity	19107839	27188005	12416764	17667463
CASH FLOW FROM INVESTMENT ACTIVITIES				
Investments in associated and related companies	-80000	-113830	-30000	-42686
Sale of fixed assets and intangible assets	3275	4660	80352	114331
Acquisition of fixed assets	-3529700	-5022311	-3542484	-5040501
Long-term credit to students of JSC "LM" and other loans	0	0	-1261	-1794
Interests received from the loan	51265	72944	112	159
Net cash flow from investment operations	-3555160	-5058537	-3493281	-4970491
CASH FLOW FROM FINANCING ACTIVITIES				
Short term borrowings, net value (credit line)	-10900086	-15509425	-8891413	-12651341
Long term borrowings	2437017	3467563	364052	517999
Paid liabilities for financial leasing	-695	-989	0	0
Loans to associated companies	0	0	-22000	-31303
Other long-term loans	0	0	-4565	-6495
Loan repayments	-96629	-137491	-138899	-197635
Repayment of loans of associated and related companies	-3731614	-5309608	0	0
Other investments (sponsorship)	-61946	-88141	-243388	-346310
Subsidies	135712	193101	233056	331609
Net cash flow from financing activities	-12218241	-17384991	-8703157	-12383477
Result of foreign currency exchange rate fluctuations	-50899	-72423	12342	17561
Net growth of cash and its equivalents	3283539	4672055	232668	331057
Cash and its equivalents at the beginning of accounting period	6795467	9669078	4217442	6000879
Cash and its equivalents at the end of accounting period	10079006	14341134	4450110	6331936

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Revaluation reserve of long term investments	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL
As of 31.12.2006	16981033	25346868	12491727	9637520	18	64457166
Profit in reserves			9467277	-9637520	170243	0
Undistributed profit of the reporting period				17188774		17188774
Minority shareholders					-116310	-116310
Increase of revaluation reserve		38605653				38605653
Written-off revaluation reserve		-470296				-470296
As of 31.12.2007	16981033	63482225	21959004	17188774	53951	119664987
Profit in reserves			16434385	-17188774	754389	0
Undistributed profit of the review period				4706779		4706779
Minority shareholders					-280657	-280657
Written-off revaluation reserve		-285350				-285350
As of 30.06.2008	16981033	63196875	38393389	4706779	527683	123805759

	Share capital	Revaluation reserve of long term investments	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
As of 31.12.2006	24161833	36065344	17774126	13712956	26	91714284
Profit in reserves			13470722	-13712956	242234	0
Undistributed profit of the reporting period				24457422		24457422
Minority shareholders					-165494	-165494.22
Increase of revaluation reserve		54930895				54930895
Written-off revaluation reserve		-669171				-669171
As of 31.12.2007	24161833	90327068	31244848	24457422	76765	170267937
Profit in reserves			23384023	-24457422	1073399	0
Undistributed profit of the review period				6697143		6697143
Minority shareholders					-399339	-399339
Written-off revaluation reserve		-406016				-406016
As of 30.06.2008	24161833	89921052	54628871	6697143	750825	176159724

ENCLOSURES TO THE QUARTERLY REPORT

ENCLOSURES TO BALANCE SHEET

1. ACCOUNTS RECEIVABLE (DEBTORS)

Accounts Receivable	As of 30.06.2008.		As of 30.06.2007.	
	LVL	EUR	LVL	EUR
Customers and affiliated companies' debts	9670096	13759307	10665363	15175444
Incl. Debts of buyers and customers	6894762	9810362	7735424	11006517
Incl. Debts of buyers with factoring activities	2752208	3916039	2860686	4070389
Incl. Debts of associated enterprises (Doubtful debtors debt)	23126 /185045/	32905 /263295/	69253 /69253/	98538 /98538/
Other debtors	6648205	9459543	2560310	3642993
Incl. Provision for VAT and unpaid VAT	133820	190409	201783	287111
Incl. Advance payments	22594	32148	25064	35663
Incl. VAT budget overpayments	5698582	8108352	2235699	3181113
Incl. Various debtors	40250	57271	72157	102670
Incl. Overpaid salaries	3576	5088	442	629
Incl. Other overpaid taxes	62922	89530	6057	8618
Incl. Advance prepayment for Corporate income tax	640543	911411	0	0
Incl. Security amounts in auction	37823	53817	0	0
Incl. Advance payments for services	8095	11518	19108	27188
Short-term loans to employees	0	0	0	0
Future periods payments	133737	190291	140421	199801
Incl. Press expenses	8578	12205	7296	10381
Incl. Property insurance	65877	93735	34168	48617
Incl. Payment for services	0	0	75282	107117
Incl. Payment for ship freightage services	6258	8904	0	0
Incl. Publicity and Advertisement	41250	58693	0	0
Incl. Various	11774	16753	23675	33686
Total Debtors:	16452038	23409141	13366094	19018238

2. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 30.06.2008.		As of 30.06.2007.	
	LVL	EUR	LVL	EUR
Long-term creditors (credit institutions)	2457058	3496079	1298818	1848052
Other long-term borrowings	1078299	1534281	272565	387825
Other long-term creditors	200000	284574	719439	1023669
Short-term borrowings from credit institutions	1271453	1809115	759266	1080338
Short term debt from leasing "Hansalizings", "Unilizings")	49888	70984	36497	51931
Advance payments (from residents)	966031	1374538	1245621	1772359
Advance payments (from non-residents)	36617939	52102633	5510873	7841266
Other borrowings (factoring)	3499476	4979306	3468049	4934589
Other borrowings (Cemex)	3721986	5295909	0	0
Debts to suppliers and contractors	11368171	16175450	8937568	12717014
Incl. Materials and gas	6191262	8809372	3686070	5244805
Incl. Services	2033536	2893461	2008161	2857356
Incl. Scrap, various services related to scrap delivery, processing	3053524	4344773	3043482	4330485
Incl. Fixed assets	82656	117609	107596	153095
Incl. Medical department creditors	4589	6530	1285	1828
Incl. Other Creditors	2604	3705	90974	129444
Debts to associated enterprises	38468	54735	48783	69412
Taxes and social security insurance payments	1221379	1737866	2164860	3080318
Incl. State tax	722	1027	791	1125
Incl. Residents' Income tax	475763	676950	432891	615948
Incl. Real estate tax	7619	10841	5292	7530
Incl. Social Security tax	703277	1000673	413513	588376
Incl. Packing tax	84	120	0	0
Incl. Nature resources tax	21064	29971	32837	46723
Incl. Enterprise's Income tax	771	1097	1279530	1820607
Incl. Value added tax	12079	17187	6	9
Other creditors (liabilities)	1405703	2000135	1125612	1601602
Incl. Payments for salaries	1364588	1941634	1091432	1552968
Incl. Deductions from salaries	40421	57514	32394	46093
Incl. Debt to accountable persons	694	987	1786	2541
Accrued liabilities	20936	29789	0	0
Deferred Income	106673	151782	0	0
Unpaid Dividends	15146	21551	15146	21551
Total Creditors:	64038606	91118727	25603097	36429925

ENCLOSURES TO PROFIT AND LOSS STATEMENT

3. NET TURNOVER (REVENUE)

Product Description	For 6 months of year 2008		For 6 months of year 2007	
	LVL	EUR	LVL	EUR
Rolled steel	125216248	178166670	119912693	170620391
Consumer goods	489818	696948	1496488	2129311
Services	69480	98861	145686	207293
Sold steam, gCal	10848	15435	8552	12168
Medical department	556930	792440	476194	677563
Transportation services	34620	49260	51547	73345
Stevedoring services	1919867	2731725	1969148	2801845
Broker services	1205707	1715567	1041269	1481592
Freightage services	365761	520431	963707	1371232
Forwarder and other services	2660190	3785109	2659101	3783560
Sports	160620	228542	105502	150116
Beton (concrete) wares	424300	603725	404008	574852
Publicity and Advertisement	15495	22047	21463	30539
TOTAL	133129884	189426759	129255358	183913805

4. NET TURNOVER BY GEOGRAPHIC MARKETS

Market	For 6 months of year 2008		For 6 months of year 2007	
	LVL	EUR	LVL	EUR
European Union countries	83475869	118775461	106285977	151231321
Other third countries	49654015	70651298	22969381	32682485
Total	133129884	189426759	129255358	183913805

5. PRODUCTION COSTS OF SOLD GOODS

Cost Description	6 months for year 2008		6 months for year 2007	
	LVL	EUR	LVL	EUR
Materials	97209615	138316821	83884027	119356217.4
Salaries and wages	8795806	12515304	7286599	10367896.31
Social benefits deduction	2130813	3031874	1749716	2489622
Depreciation	4418014	6286268	3120032	4439406
Other costs	2875185	4091020	3797621	5403528
Write-off of nonmaterial values	33572	47769	16763	23852
Total	115463005	164289055	99854758	142080520

6. SALES EXPENSES

Cost Description	For 6 months of year 2008		For 6 months of year 2007	
	LVL	EUR	LVL	EUR
Packing materials	83031	118142	81238	115591
Transportation costs	918446	1306831	818248	1164262
Freight	794429	1130371	233739	332581
Port handling charges	30354	43190	8830	12564
Advertising and marketing costs	28345	40331	26953	38351
Other sales costs	163751	232997	179774	255795
Logistics services costs	5933107	8442051	6102330	8682833
Bank Services	16855	23983	47989	68282
Total	7968318	11337895	7499101	10670259

7. ADMINISTRATION EXPENSES

Cost Description	For 6 months of year 2008		For 6 months of year 2007	
	LVL	EUR	LVL	EUR
Salaries and social costs	2865169	4076768	2943626	4188402
Communication costs	87076	123898	87311	124232
Office supplies and office maintenance costs	674967	960392	751051	1068649
Legal and auditing fees	240384	342036	304807	433701
Presentation costs	73157	104093	44796	63739
Depreciation of fixed assets	279571	397794	218998	311606
Traveling expenses	81814	116411	69031	98222
Management training	18376	26147	5795	8246
Costs of bank account services	14201	20206	18753	26683
Costs related to stockholders	86338	122848	5328	7581
Operative leasing	3729	5306	3745	5329
Total	4424782	6295898	4453241	6336391

8. OTHER OPERATING INCOME

Income Description	6 months of year 2008		6 months of year 2007	
	LVL	EUR	LVL	EUR
Sale of current assets	761437	1083427	667804	950199
Sale of fixed assets and liquidation	40581	57742	116411	165638
Written-off revaluation reserve of fixed assets	212966	303023	211762	301310
Bad debt recovery	64247	91415	85220	121257
Received fine payments	59584	84780	9587	13641
Dotation (allowance)	121160	172395	233115	331693
Other income from operating activity	1018610	1449351	122270	173975
Total	2278585	3242134	1446169	2057713

9. OTHER OPERATING COSTS

Cost Description	6 months of year 2008		6 months of year 2007	
	LVL	EUR	LVL	EUR
Sales costs of current assets	570950	812389	410401	583948
Costs related to the sale and liquidation of fixed assets	121047	172234	90650	128983
Costs of previous period	110882	157771	0	0
Provisions for bad debts	0	0	40348	57410
Doubtful debts write-off	1205	1715	0	0
Currency exchange loss (net value)	288909	411080	186886	265915
Costs of reserve establishment	0	0	7000000	9960103
Compensation for damage and other allowances	218204	310476	208031	296001
Paid fines	27980	39812	16542	23537
Costs of infrastructure maintenance	44458	63258	11752	16722
Other costs	202680	288388	27672	39374
Costs of auto maintenance	10748	15293	0	0
Training of new employees	14152	20136	0	0
Costs not related to the operating activities	107250	152603	19188	27302
Total	1718465	2445155	8011470	11399295

INFORMATION ON PERSONNEL

	JSC "Liepājas Metalurģs"	JSC "Liepaja Port LM"	"Sport's club Liepājas metalurģs" Ltd.	"Ice hall Liepājas metalurģs" Ltd.	JSC "Rūķis LM"	TOTAL in the consolidated annual report
1. Average number of employees						
6 mo. 2008	2638	265	129	19	48	3099
6 mo. 2007	2634	257	109	19	51	3070