

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

Consolidated  
Quarterly Report

For 9 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.

To properly reflect the actual value of Fixed Assets, in compliance with the International Valuation standards and in accordance with the Latvian Accounting Standard Nr. 7 "Fixed Assets" Clause 6 paragraph 33, a revaluation procedure was conducted for the date of 31st December 2007 by BDO "Invest Rīga". 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).

## **Joint-Stock Company “Liepājas Metalurģs” Management Statement Regarding the Consolidated Quarterly Report for 9 months of the year 2008.**

The Company’s non-audited Net Turnover in the reporting period was LVL 235.9 mill. (EUR 335.7 mill.), which was 49.9 million LVL (EUR 71 mill.) more than in 9 months of the year 2007.

The Company’s Profit in the reporting period was 9.2 million LVL (EUR 13.1 mill.), which was 6.4 million LVL (EUR 9.1 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.Ptičkīns/

## **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 September 30, 2008 as well as the results of its operations and cash flow for 9 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	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
<b>1. LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Concessions, patents, licenses, trademarks and similar rights		0	0	1481	2107
2. Other intangible assets		78305	111418	84076	119629
3. Goodwill		216183	307601	307645	437739
4. Advance payments for intangible investments		11332	16124	4560	6488
<b>I.TOTAL:</b>		<b>305820</b>	<b>435143</b>	<b>397762</b>	<b>565964</b>
<b>II. Fixed assets</b>					
1. Land, buildings and constructions, and long-term sites		53690030	76394030	28674000	40799426
2. Long-term investments in rented fixed assets		5071938	7216718	4857190	6911159
3. Technological equipment and machinery		34449014	49016531	22767867	32395756
4. Other fixed assets and inventory		3599808	5122065	2404492	3421284
5. Fixed assets formation and costs of unfinished construction sites		7709209	10969216	5196826	7394417
6. Advance payments for fixed assets		370158	526687	1467939	2088689
<b>II. TOTAL:</b>		<b>104890157</b>	<b>149245248</b>	<b>65368314</b>	<b>93010731</b>
<b>III. Investment properties</b>					
Investment properties		<b>4882333</b>	<b>6946934</b>	<b>3718574</b>	<b>5291054</b>
<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		658263	936624	614823	874814
3. Other loans		17919	25496	146820	208906
<b>IV. TOTAL:</b>		<b>676182</b>	<b>962120</b>	<b>761643</b>	<b>1083720</b>
<b>Section 1 total amount:</b>		<b>110754492</b>	<b>157589445</b>	<b>70246293</b>	<b>99951470</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		14239040	20260329	14725434	20952405
2. Unfinished products, Work in Process		1710534	2433871	923151	1313526
3. Finished products and goods for sales		14097757	20059301	14369659	20446183
4. Incompleted orders		300	427	807	1148
5. Advance payments for goods		1809305	2574409	1447225	2059216
6. Labour animals and productive animals		110	157	160	228
<b>I. TOTAL:</b>		<b>31857046</b>	<b>45328493</b>	<b>31466436</b>	<b>44772705</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		22851564	32514846	17669690	25141704
2. Debt of associated enterprises		43531	61939	60172	85617
3. Other debtors (accounts receivable)		2590845	3686440	3636285	5173967
4. Short-term loans to co-owners and management of the company		0	0	110	157
5. Prepaid expenses		302088	429832	221523	315199
<b>II.TOTAL:</b>	<b>1</b>	<b>25788028</b>	<b>36693058</b>	<b>21587780</b>	<b>30716644</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>		2549528	3627652	1942151	2763432
<b>IV. TOTAL:</b>		<b>2549528</b>	<b>3627652</b>	<b>1942151</b>	<b>2763432</b>
<b>Section 2 total amount</b>		<b>60194602</b>	<b>85649202</b>	<b>54996367</b>	<b>78252780</b>
<b>TOTAL ASSETS</b>		<b>170949094</b>	<b>243238647</b>	<b>125242660</b>	<b>178204250</b>



LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
<b>I. SHAREHOLDERS' EQUITY</b>					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		63094525	89775421	25054698	35649624
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		647000	920598	-182900	-260243
4. Retained earnings: b) undistributed profit of the reporting year		9372591	13335996	15790759	22468226
4. Retained earnings: c) Minority shareholders		-210129	-298987	-229632	-326737
4. Retained earnings: b+c undistributed profit of the reporting year		9162462	13037009	15561127	22141489
Section 1 total amount:		<b>128278409</b>	<b>182523732</b>	<b>79372962</b>	<b>112937550</b>
Minority shareholders		413387	588197	357074	508071
<b>2. PROVISIONS</b>					
1. Provisions for anticipated taxes		155336	221023	1533629	2182157
2. Other provisions		5952109	8469088	4932084	7017723
Section 2 total amount:		<b>6107445</b>	<b>8690111</b>	<b>6465713</b>	<b>9199881</b>
<b>3. LIABILITIES (Accounts payable)</b>					
<b>I. Long-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		2480141	3528923	1298818	1848052
2. Other loans		1313597	1869080	491004	698636
3. Debts to suppliers and contractors		0	0	0	0
4. Other liabilities		200000	284574	200000	284574
I. TOTAL:		<b>3993738</b>	<b>5682577</b>	<b>1989822</b>	<b>2831262</b>
<b>II. Short-term Creditors (Accounts payable)</b>					
1. Loans from credit institutions		5142828	7317585	11669376	16604026
2. Other loans		10672126	15185067	5043687	7176520
3. Advance payments received from customers		1815158	2582737	2782720	3959454
4. Suppliers and contractors trade account payable		11249663	16006828	13802917	19639782
5. Accrued liabilities (payable bills of exchange)		8503	12099	0	0
6. Payable (debt) to associated companies		25071	35673	49571	70533
7. Taxes and state social insurance payments		1827743	2600644	2376828	3381922
8. Other liabilities		1380490	1964260	1317602	1874779
9. Deferred income		19387	27585	242	344
10. Unpaid dividends for previous years		15146	21551	15146	21551
II. TOTAL:		<b>32156115</b>	<b>45754030</b>	<b>37058089</b>	<b>52728910</b>
Section 3 total amount:	2	<b>36149853</b>	<b>51436607</b>	<b>39047911</b>	<b>55560172</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>170949094</b>	<b>243238647</b>	<b>125243660</b>	<b>178205673</b>

JSC "Liepājas Metalurģs"  
 Chairman of the Board

\_\_\_\_\_

/V.Terentjevs/

Member of the Board

\_\_\_\_\_

/I.Segals/

Member of the Board

\_\_\_\_\_

/L.Ptičkina/

### 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	9 months 2007 LVL	9 months 2007 EUR
1	2	3	4	5	6	7
1	<b>Net turnover</b>	3, 4	<b>235880809</b>	<b>335628154</b>	<b>185956675</b>	<b>264592511</b>
2	<b>Production costs of goods sold</b>	5	<b>-200138011</b>	<b>-284770734</b>	<b>-149176881</b>	<b>-212259579</b>
3	<b>Gross profit or loss (from turnover)</b>		<b>35742798</b>	<b>50857420</b>	<b>36779794</b>	<b>52332932</b>
4	<b>Sales costs</b>	6	<b>-13032069</b>	<b>-18542964</b>	<b>-11092281</b>	<b>-15782894</b>
5	<b>Administration costs</b>	7	<b>-6889673</b>	<b>-9803121</b>	<b>-6831660</b>	<b>-9720576</b>
6	<b>Other operating income</b>	8	<b>3056972</b>	<b>4349679</b>	<b>2755429</b>	<b>3920622</b>
7	<b>Other operating costs</b>	9	<b>-6438127</b>	<b>-9160629</b>	<b>-2587434</b>	<b>-3681587</b>
8	<b>Interest income and other similar income</b>		<b>174941</b>	<b>248919</b>	<b>65787</b>	<b>93606</b>
9	<b>Interest payments and similar expenses</b>		<b>-504699</b>	<b>-718122</b>	<b>-361724</b>	<b>-514687</b>
10	<b>Profit or loss before extraordinary items and taxes</b>		<b>12110143</b>	<b>17231181</b>	<b>18727911</b>	<b>26647417</b>
11	<b>Income tax for the reporting period</b>		<b>-2724340</b>	<b>-3876387</b>	<b>-2822820</b>	<b>-4016511</b>
12	<b>Other taxes</b>		<b>-223341</b>	<b>-317786</b>	<b>-343964</b>	<b>-489417</b>
13	<b>Reporting period profit or loss after taxes for the consolidated financial statement</b>		<b>9162462</b>	<b>13037009</b>	<b>15561127</b>	<b>22141489</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		9 months of the year 2007	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
Cash received from buyers	226382176	322112817	176717723	251446666
Cash received from other business activities	473339	673501	1070671	1523428
VAT overpayment received	11000969	15652969	8614318	12257070
Cash paid to suppliers and employees	-225739360	-321198172	-172257112	-245099789
<i>Cash received from the core business activity</i>	<i>12117124</i>	<i>17241114</i>	<i>14145600</i>	<i>20127375</i>
Interest payment	-557581	-793366	-400397	-569714
Corporate income tax payments	-16999	-24187	-32634	-46434
Other tax payments	-2284184	-3250101	-12895401	-18348503
<b>Net cash flow from the core business activity</b>	<b>9258360</b>	<b>13173459</b>	<b>817168</b>	<b>1162725</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Investments in associated and related companies	-80000	-113830	-36000	-51223
Sale of fixed assets and intangible assets	24770	35245	107847	153452
Acquisition of fixed assets	-5200044	-7398996	-5075707	-7222080
Long-term credit to students of JSC "LM" and other loans	0	0	8154	11602
Other loans granted	200	285	0	0
Interests received from the loan	51265	72944	376	535
<b>Net cash flow from investment operations</b>	<b>-5203809</b>	<b>-7404353</b>	<b>-4995330</b>	<b>-7107714</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short term borrowings, net value (credit line)	-6930450	-9861142	2026206	2883031
Long term borrowings	2554754	3635087	143757	204548
Paid liabilities for financial leasing	-1776	-2527	0	0
Loans to associated companies	22000	31303	-22000	-31303
Other long-term loans	0	0	0	0
Loan repayments	-3753951	-5341391	551	784
Repayment of loans of associated and realated companies	-144943	-206235	0	0
Other investments (sponsorship)	-35630	-50697	-450725	-641324
Subsidies	83606	118961	236846	337001
<b>Net cash flow from financing activities</b>	<b>-8206390</b>	<b>-11676641</b>	<b>1934635</b>	<b>2752738</b>
Result of foreign currency exchange rate fluctuations	-94302	-134180	-35194	-50077
<b>Net growth of cash and its equivalents</b>	<b>-4246141</b>	<b>-6041714</b>	<b>-2278721</b>	<b>-3242328</b>
Cash and its equivalents at the beginning of accounting period	6795669	9669366	4220872	6005760
<b>Cash and its equivalents at the end of accounting period</b>	<b>2549528</b>	<b>3627652</b>	<b>1942151</b>	<b>2763432</b>

### 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
<b>As of 31.12.2006</b>	<b>16981033</b>	<b>25346868</b>	<b>12491727</b>	<b>9637520</b>	<b>18</b>	<b>64457166</b>
Profit in reserves			9467277	-9637520	170243	0
Undistributed profit of the reporting period				17188774		17188774
Minority shareholders		0			-116310	-116310
Increase of revaluation reserve		38605653				38605653
Written-off revaluation reserve		-470296				-470296
<b>As of 31.12.2007</b>	<b>16981033</b>	<b>63482225</b>	<b>21959004</b>	<b>17188774</b>	<b>53951</b>	<b>119664987</b>
Profit in reserves			16434385	-17188774	754389	0
Undistributed profit of the review period				9162462		9162462
Minority shareholders					-161340	-161340
Written-off revaluation reserve		-387700				-387700
<b>As of 30.09.2008</b>	<b>16981033</b>	<b>63094525</b>	<b>38393389</b>	<b>9162462</b>	<b>647000</b>	<b>128278409</b>

	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
<b>As of 31.12.2006</b>	<b>24161833</b>	<b>36065344</b>	<b>17774126</b>	<b>13712956</b>	<b>26</b>	<b>91714284</b>
Profit in reserves			13470722	-13712956	242234	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>90327068</b>	<b>31244848</b>	<b>24457422</b>	<b>76765</b>	<b>170267937</b>
Profit in reserves			23384023	-24457422	1073399	0
Undistributed profit of the review period				13037009		13037009
Minority shareholders					-229566	-229566
Written-off revaluation reserve		-551647				-551647
<b>As of 30.09.2008</b>	<b>24161833</b>	<b>89775421</b>	<b>54628871</b>	<b>13037009</b>	<b>920598</b>	<b>182523732</b>

## ENCLOSURES TO THE QUARTERLY REPORT

### ENCLOSURES TO BALANCE SHEET

#### 1. ACCOUNTS RECEIVABLE (DEBTORS)

Accounts Receivable	As of 30.09.2008.		As of 30.09.2007.	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies' debts</b>	<b>22895094</b>	<b>32576784</b>	<b>17729862</b>	<b>25227321</b>
Incl. Debts of buyers and customers	17072910	24292562	13311052	18939921
Incl. Debts of buyers with factoring activities	5778653	8222282	4358638	6201783
Incl. Debts of associated enterprises	43531	61939	60172	85617
(Doubtful debtors debt)	/30551/	/43470/	0	0
<b>Other debtors</b>	<b>2590845</b>	<b>3686440</b>	<b>3636285</b>	<b>5173967</b>
Incl. Provision for VAT and unpaid VAT	19971	28416	52904	75276
Incl. Advance payments	12677	18038	23590	33566
Incl. VAT budget overpayments	2457394	3496557	3453265	4913553
Incl. Various debtors	56054	79758	87270	124174
Incl. Overpaid salaries	242	344	253	360
Incl. Other overpaid taxes	17801	25329	11354	16155
Incl. Advance prepayment for Corporate income tax	5661	8055	0	0
Incl. Debt for caused damages to the enterprise	0	0	192	273
Incl. Security amounts in auction	10000	14229	0	0
Incl. Advance payments for services	11045	15716	7457	10610
<b>Short-term loans to employees</b>	<b>0</b>	<b>0</b>	<b>1110</b>	<b>1579</b>
<b>Future periods payments</b>	<b>302089</b>	<b>429834</b>	<b>221523</b>	<b>315199</b>
Incl. Press expenses	11147	15861	5236	7450
Incl. Property insurance	56722	80708	16518	23503
Incl. Payment for services	0	0	182122	259136
Incl. Payment for ship freightage services	5362	7629	0	0
Incl. Publicity and Advertisement	27153	38635	0	0
Incl. Various	201705	287000	17647	25109
<b>Total Debtors:</b>	<b>25788028</b>	<b>36693058</b>	<b>21588780</b>	<b>30718066</b>

## 2. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 30.09.2008.		As of 30.09.2007.	
	LVL	EUR	LVL	EUR
<b>Long-term creditors (credit institutions)</b>	<b>2480141</b>	<b>3528923</b>	<b>1298818</b>	<b>1848052</b>
<b>Other long-term borrowings</b>	<b>1313597</b>	<b>1869080</b>	<b>491004</b>	<b>698636</b>
<b>Other long-term creditors</b>	<b>200000</b>	<b>284574</b>	<b>200000</b>	<b>284574</b>
<b>Short-term borrowings from credit institutions</b>	<b>5142828</b>	<b>7317585</b>	<b>11669376</b>	<b>16604026</b>
<b>Short term debt from leasing "Hansalizings", "Unilizings")</b>	<b>37906</b>	<b>53935</b>	<b>31022</b>	<b>44140</b>
<b>Advance payments (from residents)</b>	<b>286624</b>	<b>407829</b>	<b>361087</b>	<b>513781</b>
<b>Advance payments (from non-residents)</b>	<b>1528534</b>	<b>2174908</b>	<b>2421633</b>	<b>3445673</b>
<b>Other borrowings (factoring)</b>	<b>6794497</b>	<b>9667698</b>	<b>5012665</b>	<b>7132380</b>
<b>Other borrowings (Cemex)</b>	<b>3839723</b>	<b>5463434</b>	<b>0</b>	<b>0</b>
<b>Debts to suppliers and contractors</b>	<b>11249663</b>	<b>16006828</b>	<b>13802917</b>	<b>19639782</b>
Incl. Materials and gas	5350138	7612561	7619359	10841371
Incl. Services	2590307	3685675	2187904	3113107
Incl. Scrap, various services related to scrap delivery, processing	3204754	4559954	3711748	5281342
Incl. Fixed assets	97606	138881	191107	271921
Incl. Medical department creditors	3912	5566	1594	2268
Incl. Other Creditors	2946	4192	91205	129773
<b>Debts to associated enterprises</b>	<b>25071</b>	<b>35673</b>	<b>49571</b>	<b>70533</b>
<b>Taxes and social security insurance payments</b>	<b>1827743</b>	<b>2600644</b>	<b>2376828</b>	<b>3381922</b>
Incl. State tax	719	1023	937	1333
Incl. Residents' Income tax	449729	639907	478686	681109
Incl. Property (land) tax	12994	18489	2409	3428
Incl. Social Security tax	672974	957556	645267	918132
Incl. Property (buildings) tax	8432	11998	0	0
Incl. Natural resources tax	20283	28860	23564	33529
Incl. Corporate Income tax	644746	917391	1202525	1711039
Incl. Value added tax	17866	25421	23440	33352
<b>Other creditors (liabilities)</b>	<b>1380490</b>	<b>1964260</b>	<b>1317602</b>	<b>1874779</b>
Incl. Payments for salaries	1337592	1903222	1275056	1814241
Incl. Deductions from salaries	41777	59443	42546	60538
Incl. Debt to accountable persons	1121	1595	0	0
<b>Accrued liabilities</b>	<b>8503</b>	<b>12099</b>	<b>0</b>	<b>0</b>
<b>Deferred Income</b>	<b>19387</b>	<b>27585</b>	<b>242</b>	<b>344</b>
<b>Unpaid Dividends</b>	<b>15146</b>	<b>21551</b>	<b>15146</b>	<b>21551</b>
<b>Total Creditors:</b>	<b>36149853</b>	<b>51436607</b>	<b>39047911</b>	<b>55560172</b>

## ENCLOSURES TO PROFIT AND LOSS STATEMENT

### 3. NET TURNOVER (REVENUE)

Product Description	For 9 months of year 2008		For 9 months of year 2007	
	LVL	EUR	LVL	EUR
Rolled steel	222399190	316445538	172105485	244884043
Consumer goods	940959	1338864	2428669	3455685
Services	95807	136321	162644	231422
Sold steam, gCal	14708	20928	11256	16016
Medical department	825330	1174339	724932	1031485
Transportation services	36476	51901	67628	96226
Stevedoring services	2484647	3535334	2794643	3976419
Broker services	1903711	2708737	1456906	2072990
Freightage services	525468	747674	1227284	1746268
Forwarder and other services	5596904	7963677	4063771	5782225
Sports	293531	417657	163947	233276
Beton (concrete) wares	710625	1011128	749510	1066457
Publicity and Advertisement	53453	76057	0	0
<b>TOTAL</b>	<b>235880809</b>	<b>335628154</b>	<b>185956675</b>	<b>264592511</b>



**4. NET TURNOVER BY GEOGRAPHIC MARKETS**

Market	For 9 months of year 2008		For 9 months of year 2007	
	LVL	EUR	LVL	EUR
European Union countries	144774558	205995637	145927629	207636310
Other third countries	91106251	129632516	40029046	56956201
<b>Total</b>	<b>235880809</b>	<b>335628154</b>	<b>185956675</b>	<b>264592511</b>

**5. PRODUCTION COSTS OF SOLD GOODS**

Cost Description	9 months for year 2008		9 months for year 2007	
	LVL	EUR	LVL	EUR
Materials	150663491	214374834	110681228	157485199
Salaries and wages	14206516	20214051	11634105	16553840
Social benefits deduction	3344585	4758916	2799139	3982816
Energy resources	18853943	26826744	12831153	18257086
Depreciation	7025647	9996595	4589399	6530126
Other costs	5993471	8527941	6616699	9414714
Write-off of nonmaterial values	50358	71653	25158	35797
<b>Total</b>	<b>200138011</b>	<b>284770734</b>	<b>149176881</b>	<b>212259579</b>

**6. SALES EXPENSES**

Cost Description	For 9 months of year 2008		For 9 months of year 2007	
	LVL	EUR	LVL	EUR
Packing materials	119887	170584	107077	152357
Transportation costs	1417168	2016448	1260735	1793864
Freight	902838	1284623	981618	1396717
Port handling charges	51625	73456	13769	19592
Advertising and marketing costs	83689	119079	73684	104843
Other sales costs	262502	373507	684673	974202
Logistics services costs	10141267	14429723	7907950	11251999
Bank Services	53093	75545	62775	89321
<b>Total</b>	<b>13032069</b>	<b>18542964</b>	<b>11092281</b>	<b>15782894</b>

## 7. ADMINISTRATION EXPENSES

Cost Description	For 9 months of year 2008		For 9 months of year 2007	
	LVL	EUR	LVL	EUR
Salaries and social costs	4593149	6535462	4494788	6395507
Communication costs	131001	186398	140825	200376
Office supplies and office maintenance costs	1006951	1432762	1257888	1789813
Legal and auditing fees	316455	450275	366149	520983
Presentation costs	146665	208685	88612	126084
Depreciation of fixed assets	428856	610207	321178	456995
Traveling expenses	121031	172212	102156	145355
Management training	21566	30686	13024	18531
Costs of bank account services	23415	33317	31002	44112
Costs related to stockholders	96286	137003	9963	14176
Operative leasing	4298	6116	6075	8644
<b>Total</b>	<b>6889673</b>	<b>9803121</b>	<b>6831660</b>	<b>9720576</b>

**8. OTHER OPERATING INCOME**

Income Description	9 months of year 2008		9 months of year 2007	
	LVL	EUR	LVL	EUR
Sale of current assets	1397771	1988849	1036035	1474145
Sale of fixed assets and liquidation	45958	65392	153828	218878
Written-off revaluation reserve of fixed assets	315316	448654	211762	301310
Bad debt recovery	126830	180463	205121	291861
Received fine payments	62306	88653	25425	36177
Dotation (allowance)	83907	119389	535261	761608
Other income from operating activity	1024884	1458279	165282	235175
<b>Total</b>	<b>3056972</b>	<b>4349679</b>	<b>2332714</b>	<b>3319153</b>

**9. OTHER OPERATING COSTS**

Cost Description	9 months of year 2008		9 months of year 2007	
	LVL	EUR	LVL	EUR
Sales costs of current assets	1147975	1633421	752677	1070963
Costs related to the sale and liquidation of fixed assets	161975	230470	97738	139069
Costs of previous period	110928	157836	0	0
Provisions for bad debts	0	0	44884	63864
Doubtful debts write-off	141511	201352	102700	146129
Currency exchange loss (net value)	249114	354457	305323	434435
Costs of reserve establishment	4000000	5691487	0	0
Compensation for damage and other allowances	247840	352645	229641	326750
Paid fines	29586	42097	88815	126372
Costs of infrastructure maintenance	36845	52426	28755	40915
Other costs	81937	116586	36382	51767
Costs of auto maintenance	10748	15293	0	0
Training of new employees	28608	40706	0	0
Costs not related to the operating activities	191060	271854	477804	679854
<b>Total</b>	<b>6438127</b>	<b>9160629</b>	<b>2164719</b>	<b>3080118</b>

**INFORMATION ON PERSONNEL**

	JSC "Liepājas Metalurģs"	JSC "Liepāja Port LM"	"Sport's club Liepājas metalurģs" Ltd.	"Ice hall Liepājas metalurģs" Ltd.	JSC "Rūķis LM"	TOTAL in the consolidated annual report
Average number of employees						
<b>9 mo. 2008</b>	<b>2664</b>	<b>287</b>	<b>131</b>	<b>19</b>	<b>48</b>	<b>3149</b>
9 mo. 2007	2644	257	115	19	50	3085