

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

Consolidated
Annual Report

For the year ended 31 December 2008

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INFORMATION ABOUT THE COMPANY

JSC "Liepājas Metalurgs" 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 Metalurgs" 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 metalurgs"

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 metalurgs""

number of shares - 95%.
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-Metalurgs"

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. "Metalurgs 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 metalurgs" 5% of shares – Ltd. "Pērle LM"

Ltd. "Ice-Hockey Hall Liepājas metalurgs" 5% shares- Liepājas City Council.

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. As a result of such revaluation, appeared changes in values would be included in the Shareholders's Equity section Long-Term Investment Revaluation Reserve of the Balance Sheet.

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 metalurgs” 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 consist of provisions for the unused vacations and social payments.

Joint-Stock Company “Liepājas Metalurgs” Management Statement Regarding the Non-audited Consolidated Quarterly Report for 12 months of the year 2008.

The Company’s non-audited Net Turnover in the reporting period was LVL 270.2 mill. (EUR 384.5 mill.), which was 34.8 million LVL (EUR 49.5 mill.) more than in 12 months of the year 2007.

The Company’s Profit in the reporting period was 5.8 million LVL (EUR 8.3 mill.), which was 11.4 million LVL (EUR 16.2 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 Metalurgs”

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 Metalurgs" (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 December 31, 2008 as well as the results of its operations and cash flow for 12 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 Metalurgs",

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

BALANCE SHEET

ASSETS	Enclosure Number	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
I. LONG-TERM INVESTMENTS					
I. Intangible investments					
1. Concessions, patents, licenses, trademarks and similar rights		0	0	0	0
2. Other intangible assets		91770	130577	83823	119269
3. Goodwill		199554	283940	266072	378586
4. Advance payments for intangible investments		0	0	9113	12967
I.TOTAL:		291324	414517	359008	510822
II. Fixed assets					
1. Land, buildings and constructions, and long-term sites		54290367	77248233	55682644	79229264
2. Long-term investments in rented fixed assets		5892447	8384197	5038619	7169309
3. Technological equipment and machinery		36362491	51739163	37904358	53933042
4. Other fixed assets and inventory		3729797	5307023	3821622	5437678
5. Fixed assets formation and costs of unfinished construction sites		4509948	6417078	3055970	4348254
6. Advance payments for fixed assets		113286	161191	367797	523328
II. TOTAL:		104898336	149256885	105871010	150640876
III. Investment properties					
1. Investment properties		5015565	7136506	4882333	6946934
IV. Long-term financial investments					
1. Share in the capital of related companies (subsidiaries)		0	0	0	0
1. Share in the capital of associated companies		538263	765879	488823	695532
2. Other loans		8000	11383	9920	14115
3. Atliktais nodoklis		157212	223693	0	0
IV. TOTAL:		703475	1000955	498743	709647
Section 1 total amount:		110908700	157808863	111611094	158808279
2. CURRENT ASSETS					
I. Stock (Inventories)					
1. Raw materials, basic and auxiliary materials		12525154	17821689	15783773	22458286
2. Unfinished products, Work in Process		3033039	4315626	2884425	4104167
3. Finished products and goods for sales		22198072	31585011	12660532	18014314
4. Incompleted orders		122897	174867	305204	434266
5. Advance payments for goods		1147198	1632316	3555008	5058321
6. Labour animals and productive animals		110	157	160	228
I. TOTAL:		39026470	55529664	35189102	50069581
II. Accounts receivable (Debtors)					
1. Trade accounts receivable		11227731	15975622	10076301	14337285
2. Debt of associated enterprises		47543	67648	32101	45676
3. Other debtors (accounts receivable)		5245606	7463825	3878529	5518650
4. Short-term loans to co-owners and management of the company		0	0	11970	17032
5. Prepaid expenses		120903	172029	156202	222255
II.TOTAL:	1	16641783	23679124	14155103	20140897
III. Short-term financial investments					
III. TOTAL:		0	0	0	0
IV. Cash		3064622	4360564	6878793	9787641
IV. TOTAL:		3064622	4360564	6878793	9787641
Section 2 total amount		58732875	83569352	56222998	79998119
TOTAL ASSETS		169641575	241378215	167834092	238806398

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
1. SHAREHOLDERS' EQUITY					
1. Share capital (fixed capital)		16981033	24161833	16981033	24161833
2. Long-term investments revaluation reserve		63089181	89767817	63482225	90327068
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		499473	710686	53951	76765
4. Retained earnings: b) undistributed profit of the reporting year		6036962	8589823	17358517	24698945
4. Retained earnings: c) Minority shareholders		-210129	-298987	-169743	-241523
4. Retained earnings: b+c undistributed profit of the reporting year		5826833	8290836	17188774	24457422
section 1 total amount:		124789909	177560044	119664987	170267937
Minority shareholders		524719	746608	212095	301784
2. PROVISIONS					
1. Provisions for anticipated taxes		8222	11699	161472	229754
2. Other provisions		1900301	2703885	1961763	2791337
section 2 total amount:		1908523	2715584	2123235	3021091
3. LIABILITIES (Accounts payable)					
I. Long-term Creditors (Accounts payable)					
1. Loans from credit institutions		2292938	3262557	1816827	2585112
2. Other loans		1623541	2310091	818653	1164838
3. Debts to suppliers and contractors		0	0	0	0
4. Other liabilities		200000	284574	200000	284574
I. TOTAL:		4116479	5857222	2835480	4034525
II. Short-term Creditors (Accounts payable)					
1. Loans from credit institutions		15067560	21439206	15805889	22489754
2. Other loans		8056272	11463042	4398273	6258179
3. Advance payments received from customers		2537190	3610096	8683302	12355226
4. Suppliers and contractors trade account payable		10198873	14511689	11441710	16280087
5. Accrued liabilities (payable bills of exchange)		232672	331062	137484	195622
6. Payable (debt) to associated companies		0	0	12515	17807
7. Taxes and state social insurance payments		1041156	1481432	1199675	1706984
8. Other liabilities		1153076	1640679	1304301	1855853
9. Deferred income		0	0	0	0
10. Unpaid dividends for previous years		15146	21551	15146	21551
II. TOTAL:		38301945	54498758	42998295	61181062
Section 3 total amount:	2	42418424	60355980	45833775	65215586
TOTAL LIABILITIES AND EQUITY		169641575	241378215	167834092	238806398

JSC "Liepājas Metalurgs"

Chairman of the Board

/V.Terentjevs/

Member of the Board

/I.Segals/

Member of the Board

/L.Ptičkīns/

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	31.12.2007. LVL	31.12.2007. EUR
1	2	3	4	5	6	7
1	Net turnover	3,4	270167268	384413390	235421551	334974689
2	Production costs of goods sold	5	-239686868	-341043688	-195818134	-278624103
3	Gross profit or loss (from turnover)		30480400	43369702	39603417	56350586
4	Sales costs	6	-15619053	-22223910	-16564673	-23569406
5	Administration costs	7	-8677807	-12347407	-9242132	-13150369
6	Other operating income	8	4871770	6931904	8529672	12136630
7	Other operating costs	9	-3052252	-4342963	-3319224	-4722830
8	Interest income and other similar income		261486	372061	91727	130516
9	Interest payments and similar expenses		-755987	-1075673	-612031	-870842
10	Profit or loss before extraordinary items and taxes		7508557	10683714	18486756	26304284
11	Income tax for the reporting period		-1751406	-2492026	-2264307	-3221819
12	Deferred tax		306032	435444	1374425	1955631
13	Other taxes		-236350	-336296	-408100	-580674
14	Reporting period profit or loss after taxes for the consolidated financial statement		5826833	8290836	17188774	24457422

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 Metalurgs"

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 year		12 months of the year 2007	
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Cash received from buyers	273967380	389820462	243233648	346090301
Cash received from other business activities	1236469	1759337	1301425	1851761
VAT overpayment received	12613655	17947614	11068311	15748788
Cash paid to suppliers and employees	-269942343	-384093350	-235861892	-335601237
<i>Cash received from the core business activity</i>	<i>17875161</i>	<i>25434063</i>	<i>19741492</i>	<i>28089612</i>
Interest payment	-783941	-1115448	-567119	-806938
Corporate income tax payments	-21777	-30986	-25829	-36751
Other tax payments	-16238448	-23105230	-16169592	-23007257
Net cash flow from the core business activity	830995	1182399	2978952	4238667
CASH FLOW FROM INVESTMENT ACTIVITIES				
Long-term credit to students of JSC "LM" and other loans	0	0	12452	17718
Other loans granted	0	0	262	373
Acquisition of fixed assets	-6321296	-8994394	-8687353	-12360990
Sale of fixed assets and intangible assets	26187	37261	182095	259098
Investments in associated and related companies	-72100	-102589	-3474280	-4943455
Interests received from the loan	52631	74887	0	0
Net cash flow from investment operations	-6314578	-8984835	-11966824	-17027257
CASH FLOW FROM FINANCING ACTIVITIES				
Short term borrowings, net value (credit line)	2618323	3725538	1816748	2585000
Long term borrowings	2958969	4210234	11068769	15749439
Paid liabilities for financial leasing	-186269	-265037	-74813	-106449
Loans to associated companies	-8000	-11383	-22000	-31303
Repayment of loans of associated and related companies	22000	31303	-920852	-1310254
Loan repayments	-3780892	-5379725	9542	13577
Other investments (sponsorship)	-438151	-623433	-279135	-397173
Subsidies	590145	839701	17895	25462
Net cash flow from financing activities	1776125	2527198	11616154	16528298
Result of foreign currency exchange rate fluctuations	-106713	-151839	-23605	-33587
Net growth of cash and its equivalents	-3814171	-5427076	2604677	3706121
Cash and its equivalents at the beginning of accounting period	6878793	9787641	4274116	6081519
Cash and its equivalents at the end of accounting period	3064622	4360564	6878793	9787641

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 01.01.2007.	16981033	25346868	12491727	9637520	18	64457166
Profit in reserves			9467277	-9637520	170243	0
Reserves distribution						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
As of 31.12.2007.	16981033	63482225	21959004	17188774	53951	119664987
Profit in reserves			16434385	-17188774	754389	0
Undistributed profit of the review period				5826833		5826833
Minority shareholders					-308867	-308867
Increase of revaluation reserve						0
Written-off revaluation reserve		-393044				-393044
As of 31.12.2008.	16981033	63089181	38393389	5826833	499473	124789909

	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 01.01.2007.	24161833	36065344	17774126	13712956	26	91714284
Profit in reserves			13470722	-13712956	242234	0
Reserves distribution			0			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
As of 31.12.2007.	24161833	90327068	31244848	24457422	76765	170267937
Profit in reserves			23384023	-24457422	1073399	0
Undistributed profit of the review period				8290836		8290836
Minority shareholders					-439478	-439478
Increase of revaluation reserve		0				0
Reserves distribution		0				0
Written-off revaluation reserve		-559251				-559251
As of 31.12.2008.	24161833	89767817	54628871	8290836	710686	177560044

ENCLOSURES TO THE QUARTERLY REPORT

ENCLOSURES TO BALANCE SHEET

1. ACCOUNTS RECEIVABLE (DEBTORS)

Accounts Receivable	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
Customers and affiliated companies' debts	11275274	16043270	10108402	14382960
Incl. Debts of buyers and customers	8185357	11646714	7851170	11171208
Incl. Debts of buyers with factoring activities	3042374	4328908	2225131	3166076
Incl. Debts of associated enterprises	47543	67648	32101	45676
(Doubtful debtors debt)	/30531/	/43442/	/220349/	/313528/
Other debtors	5222818	7431401	3878529	5518650
Incl. Provision for VAT and unpaid VAT	108044	153733	158060	224899
Incl. Advance payments	13356	19004	10598	15080
Incl. VAT budget overpayments	4005646	5699521	3435854	4888780
Incl. Various debtors	36733	52266	34803	49520
Incl. Overpaid salaries	175	249	55	78
Incl. Other overpaid taxes	2736	3893	20200	28742
Incl. Advance prepayment for Corporate income tax	1032910	1469699	190278	270741
Incl. Security amounts in auction	10500	14940	11337	16131
Incl. Advance payments for services	12718	18096	17344	24678
Short-term loans to employees	22788	32424	11970	17032
Future periods payments	120903	172029	156202	222255
Incl. Press expenses	10839	15423	9584	13637
Incl. Various	7322	10418	15514	22074
Incl. Property insurance	52249	74344	20220	28770
Incl. Rent payments	39004	55498	59659	84887
Incl. Publicity and Advertisement	703	1000	41250	58693
Incl. Audit expenses	10786	15347	9975	
Total Debtors:	16641783	23679124	14155103	20140897

2. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
Long- term creditors (credit institutions)	2292938	3262557	1816827	2585112
Other long-term borrowings	1623541	2310091	818653	1164838
Other long-term creditors	200000	284574	200000	284574
Short-term borrowings from credit institutions	726437	1033627	4848572	6898896
Short-term borrowings from credit institutions (credit line)	14336498	20398999	10925088	15545000
Short-term loan interest	4625	6581	32229	45858
Short-term borrowings from debt providers ("Hansalizings", "Unilizings")	488062	694450	1441204	2050649
Advance payments (from residents)	680630	968449	8683302	12355226
Advance payments (from non-residents)	1856560	2641647	0	0
Other borrowings (factoring)	3591097	5109671	2957069	4207530
Other borrowings (Cemex)	3977113	5658922	0	0
Debts to suppliers and contractors	10198873	14511689	11441710	16280087
Incl. Materials and gas	5618100	7993836	6935149	9867828
Incl. Services	2352324	3347056	2078767	2957819
Incl. Scrap, various services related to scrap delivery, processing	2201441	3132368	2235121	3180291
Incl. Fixed assets	21039	29936	187351	266576
Incl. Medical department creditors	3751	5337	3919	5576
Incl. Other Creditors	2218	3156	1403	1996
Debts to associated enterprises	0	0	12515	17807
Accrued liabilities	232672	331062	137484	195622
Taxes and social security insurance payments	1041156	1481432	1199675	1706984
Incl. Value added tax	26975	38382	13233	18829
Incl. State tax	765	1088	801	1140
Incl. Residents' Income tax	391865	557574	486171	691759
Incl. Real estate (land) tax	0	0	2677	3809
Incl. Social Security tax	607740	864736	667504	949773
Incl. Nature resources tax	13811	19651	23456	33375
Incl. Packing tax	0	0	3504	4986
Incl. Enterprise's Income tax	0	0	2329	3314
Other creditors (liabilities)	1153076	1640679	1304301	1855853
Incl. Payments for salaries	1112415	1582824	1268085	1804322
Incl. Deductions from salaries	40459	57568	35621	50684
Incl. Debt to accountable persons	202	287	595	847
Unpaid Dividends	15146	21551	15146	21551
Total Creditors:	42418424	60355980	45833775	65215586

ENCLOSURES TO PROFIT AND LOSS STATEMENT

3. NET TURNOVER (REVENUE)

Product Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Rolled steel	253530394	360741251	217491995	309463229
Other metal goods	1219627	1735373	2726506	3879469
Services	189362	269438	249397	354860
Sold steam, gCal	22994	32718	16752	23836
Medical department	1168164	1662148	994131	1414521
Cultural events	0	0	21005	29887
Transportation services	38934	55398	93621	133211
Stevedoring services	4155261	5912404	2436399	3466683
Broker services	2158311	3071000	1982153	2820350
Freightage services	534732	760855	1427503	2031154
Forwarder and other services	5714132	8130477	6469799	9205695
Sports	351302	499858	297327	423058
Publicity and Advertisement	59684	84923	49299	70146
Beton (concrete) wares	916357	1303859	1071409	1524478
Slag	15469	22010	0	0
Electric energy	92545	131680	94255	134113
TOTAL	270167268	384413390	235421551	334974689

4. NET TURNOVER BY GEOGRAPHIC MARKETS

Market	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
European Union countries	175232018	249332699	182713727	259978212
Other third countries	94935250	135080691	52707824	74996477
Total	270167268	384413390	235421551	334974689

5. PRODUCTION COSTS OF SOLD GOODS

Cost Description	12 months for year 2008		12 months for year 2007	
	LVL	EUR	LVL	EUR
Materials	174358965	248090456	144396302	205457428
Salaries and wages	17892935	25459353	16108980	22921014
Social benefits deduction	4195606	5969810	3756948	5345655
Depreciation	9291673	13220860	6571733	9350734
Other costs	33669230	47906998	24917318	35454149
Write-off of nonmaterial values	67153	95550	66853	95123
Write-off of fixed assets rented	211306	300661	0	0
Total	239686868	341043688	195818134	278624103

6. SALES EXPENSES

Cost Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Packing materials	129553	184337	145841	207513
Transportation costs	2332980	3319531	1827386	2600136
Freight	997904	1419889	2226823	3168484
Port handling charges	59697	84941	17848	25395
Advertising and marketing costs	102745	146193	311849	443721
Other sales costs	262603	373650	354884	504954
Logistics services costs	11547137	16430096	11584046	16482613
Costs related to L/C and factoring transactions	186434	265272	95996	136590
Total	15619053	22223910	16564673	23569406

7. ADMINISTRATION EXPENSES

Cost Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Salaries and social costs	5669185	8066524	5891499	8382848
Communication costs	193129	274798	229754	326910
Office supplies and office maintenance costs	1327815	1889311	1652059	2350668
Legal and auditing fees	413211	587946	670703	954324
Presentation costs	197425	280910	197589	281144
Depreciation of fixed assets	569133	809803	424065	603390
Travelling expenses	141085	200746	131681	187365
Management training	19940	28372	15828	22521
Costs of bank account services	44986	64009	18389	26165
Costs related to stockholders	98521	140183	10218	14539
Operative leasing	3377	4805	347	494
Total	8677807	12347407	9242132	13150369

8. OTHER OPERATING INCOME

Income Description	12 months of year 2008		12 months of year 2007	
	LVL	EUR	LVL	EUR
Sale of current assets	1615496	2298644	1445324	2056511
Sale of fixed assets and liquidation	54158	77060	188455	268147
Written-off revaluation reserve of fixed assets	393044	559251	470297	669172
Costs of reserve establishment	0	0	372959	530673
Written-off accumulated provisions	75430	107327	2987734	4251162
Received fine payments	48492	68998	42755	60835
Bad debt recovery	171732	244353	222698	316871
Other income from operating activity	1821066	2591143	2064817	2937970
Dotation (allowance)	692352	985128	734633	1045289
Total	4871770	6931904	8529672	12136630

9. OTHER OPERATING COSTS

Cost Description	12 months of year 2008		12 months of year 2007	
	LVL	EUR	LVL	EUR
Sales costs of current assets	1334559	1898906	1112574	1583050
Costs related to the sale and liquidation of fixed assets	213381	303614	169852	241678
Fixed Assets value reduction	67000	95332	304534	433313
Currency exchange loss (net value)	100175	142536	264546	376415
Costs of reserve establishment	0	0	6772	9636
Provisions for bad debts	3418	4863	49451	70362
Doubtful debts write-off	155786	221664	308181	438502
Compensation for damage and other allowances	336428	478694	301766	429374
Other costs	90544	128833	114477	162886
Costs of infrastructure maintenance	77197	109841	49005	69728
Costs not related to the operating activities	417652	594265	481500	685113
Training of new employees	24292	34564	64744	92122
Costs of auto maintenance	49907	71011	0	0
Costs of previous period	111964	159310	0	0
Paid fines	67149	95544	91822	130651
Total	3049452	4338979	3319224	4722830

INFORMATION ON PERSONNEL

	JSC "Liepājas Metalurgs"	JSC "Port LM"	Ltd. Football hockey club	Ltd. "Ice - hockey hall "Liepajas metalurgs""	Ltd."Metalurgs & Duna"	JSC "Rūķis LM"	TOTAL in the consolidated annual report
1. Average number of employees							
12 mo. 2008	2633	269	131	19	3	48	3103
12 mo. 2007	2650	264	115	19	4	50	3102