

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

Annual Report

For the year ended 31 December 2008

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BDO Invest Rīga

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INDEPENDENT AUDITOR'S REPORT

To shareholders of "Liepājas Metalurgs" AS

Report on the financial statement

We have performed the audit of the financial statement incorporated in the annual report of "Liepājas Metalurgs" AS, registration No.40003014197, for the year 2008, which is presented on pages from 12 to 37. The audited financial statement comprises the balance sheet as of 31 December 2008, the profit or loss account for the year 2008, the report on the changes in equity, and the cash flow statement for the year ended December 31, 2008, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

Management responsibility on the presentation of the financial statement

The management of "Liepājas Metalurgs" AS is responsible for drawing up of the financial statement and accuracy of the information contained in the said report presented pursuant to the International Financial Reporting Standards. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.

Norēķinu Konts nr. LV76UNLA0001003469481. A/S "SEB banka", Vecrīgas filiāle, Rīga.
Kods UNLALV2X. Reģ. nr. 000303577. PVN kods LV-40003035771



We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects the financial position of the "Liepājas Metalurgs" AS as of December 31, 2008, and of the results of its financial performance and cash flows for the year 2008 in accordance with the International Financial Reporting Standards.

Report on the conformity of the management report

We have familiarised ourselves with the management report for the year 2008, which is presented on pages from 6 to 11 and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statement for the year 2008.

BDO Invest Riga JSC
Certified auditors Commercial Company
Licence No. 112



A. Putniņš
Member of the Boards

V. Zitare
The responsible certified auditor
Certificate No.62

Riga, Latvia
April 27, 2009

INFORMATION ABOUT THE COMPANY

1. Full name of the Company: Joint-Stock Company "Liepājas Metalurgs"
2. Legal status of the Company: Public Joint-Stock Company
3. Registration number of the State
Registration, place, date: 40003014197
The Republic of Latvia Commercial Register, 07-Aug-2003
4. Taxpayer registration number: 40003014197
5. Legal address of the Company: Brīvības street 93, Liepāja LV-3401, LATVIA
6. Office address and phone number: Brīvības street 93, Liepāja LV-3401, LATVIA
Phone: +371 634 55921
7. Type of business activity: Steel production
8. Year of account: 2008, 12 months
9. Director: Leons Ptičkins
Position: Managing Director and a Member of the Board
10. Information on the major stockholders: The biggest stockholders are:

Sergejs Zaharjins	
Proportion (%) of stocks (shares)	49%
Iļja Segals	
Proportion (%) of stocks (shares)	20.80%
Kirovs Lipmans	
Proportion (%) of stocks (shares)	18%
11. Council: Sergejs Zaharjins
Aleksejs Zaharjins
Kirovs Lipmans
Māris Pomerancis
Guntis Vilnītis
Andris Deniņš
12. Members of the Board: Valērijs Terentjevs
Iļja Segals
Leons Ptičkins
13. The name of the bank, code, operating
account number: AS SEB Unibanka
Konta Nr. LV96UNLA 0012002467028
14. Chief Accountant: Ligita Bērzupe
15. Auditor, number of license, address: JSC "BDO Invest Riga"
Address: Pulkveža Brieza street 19/1, Riga
Valda Zitare, licence No 62
16. Average number of employees: 2633

Joint-Stock Company "Liepājas Metalurgs" Management Statement Regarding the Financial Statements for 12 months of 2008.

Business type

JSC "Liepājas Metalurgs" is the only steel production company in the Baltic region. The company did not change the nature of its business in 2008, and all production types worked consistently.

Summary of business operations during the reporting period

The JSC "Liepājas Metalurgs" met its targets in the year 2008. The Company's Net Turnover in the reporting year was 256.2 million LVL (EUR 364.6 mill.), which was 34.7 million LVL (EUR 49.4 mill.) more than in 2007. The net turnover increase was primarily related to the fact that the sales price increased by 27.8%.

64.9% of the product was sold in European Union while 35.1% in the third countries.

The Company's Profit from business activities was 6.1 mill LVL (EUR 8.7 mill.), which was 10.3 million LVL (EUR 14.7 mill.) less than in 2007. The profit level was mainly affected by the cost increase of 31.4%.

Financial risk management

The operations of JSC "Liepājas Metalurgs" are exposed to the financial risks – such as the foreign currency exchange rate and bank interest rate fluctuations.

The Company conducts a risk-averse politics assuring that any outstanding debt obligations are closed within the proper timeframe. As of the 31st of December 2008, the working capital exceeded short-term obligations by 25.4 million LVL (EUR 36.1 mill.).

The management of JSC "Liepājas Metalurgs" is of the opinion that there are sufficient cash resources available in order not to jeopardize the liquidity aspect of the Company.

Year 2008 major event

The year 2008 was marked with proactive efforts in the market research sector together with an aggressive work gaining the new customers.

The technical development of the Company during the reporting period was mainly consisting of the continued preparation work for the second phase of modernization.

The company invested in its operations 5.7 million LVL (EUR 8.1 mill) over the reporting period.

Upcoming developments and plans of JSC "Liepājas Metalurgs"

To continue activities concerning the steel melting production practice and related to its modernization program coordination and financing:

- Clear and prepare the site for the electric arc furnace and ladle furnace installation (the demolition works on the old vertical continuous caster Nr.2 have begun this month);
- Continue the construction of the power station for the needs of the new modernized meltshop.

Other goals include:

- To prepare the central laboratory for the regular renewal of its certification (this is a very complex and serious task, since the central laboratory is certified in 75 different testing methods and one calibre method).

Conditions and events occurred after the financial statements closure

No important events occurred from the end of the reporting period to the day the Board of JSC "Liepājas Metalurgs" reviewed the Annual Report, which may have had an effect on the annual performance results or financial conditions of the Company.

Proposal for use of the JSC "Liepājas Metalurgs" profit

The management of JSC "Liepājas Metalurgs" proposed the shareholders meeting to vote in favor of allocating the year 2008 profit (6.1 mill LVL or EUR 8.7 mill.) to the further operations and production development.

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 financial statement.

The Financial Statement represents the true picture for the Company financial position as of December 31, 2008 as well as the results of its operations and cash flow for 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

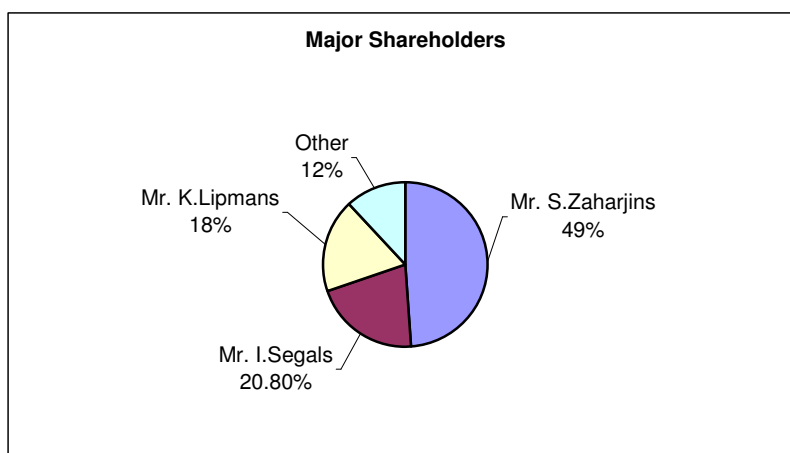
In the name of the JSC "Liepājas Metalurgs",

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

SHARES AND SHAREHOLDERS

The Share (Fixed) Capital of the JSC "Liepājas Metalurgs" amounts to LVL 16 981 033,- (EUR 24 161 833).

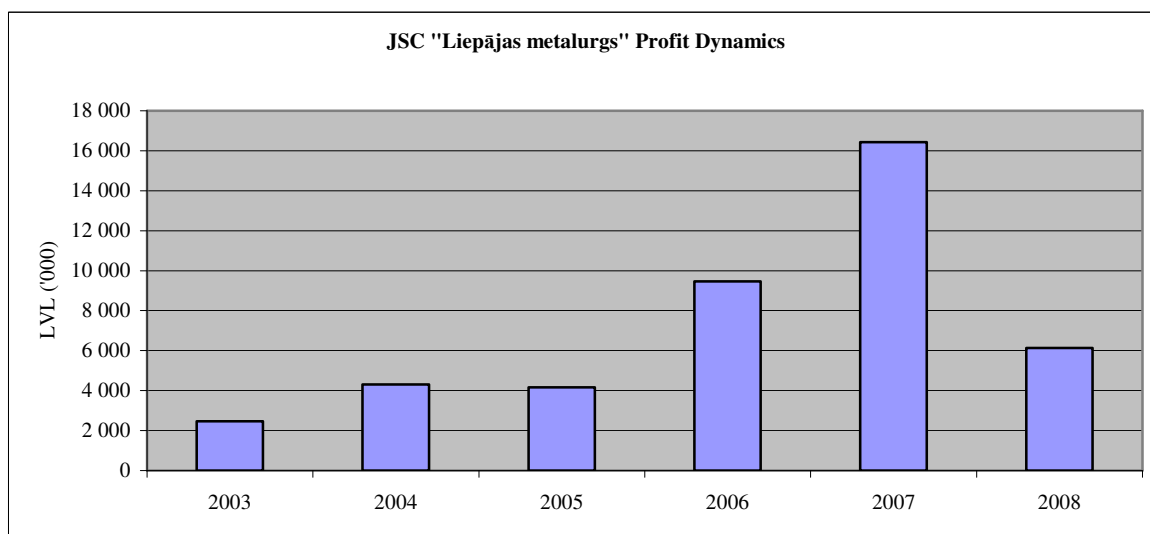
The Share Capital consist of 16 981 033 shares, with a nominal value of LVL 1,00 per share (EUR 1,42 / share).

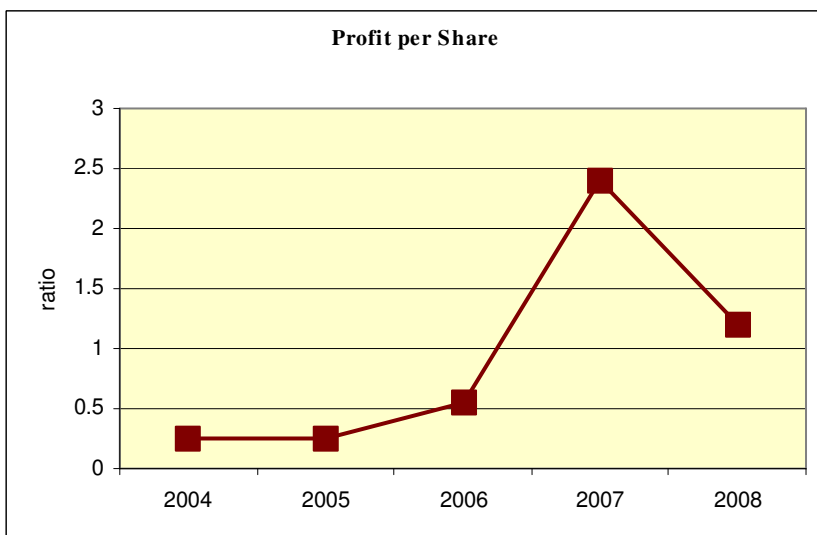
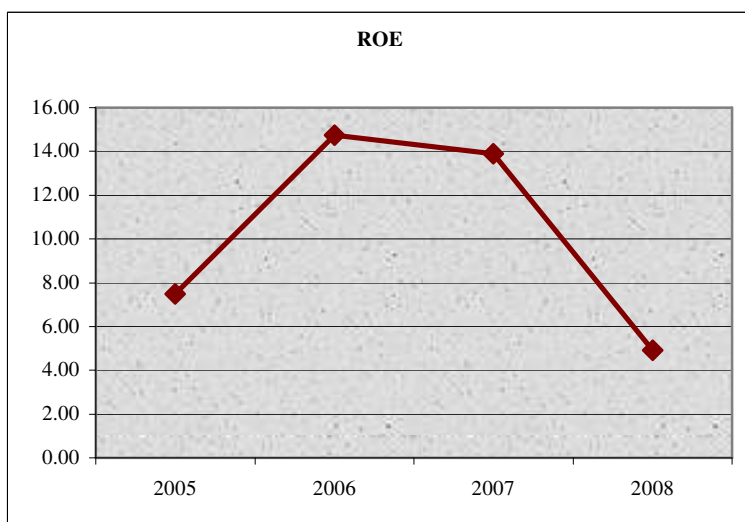
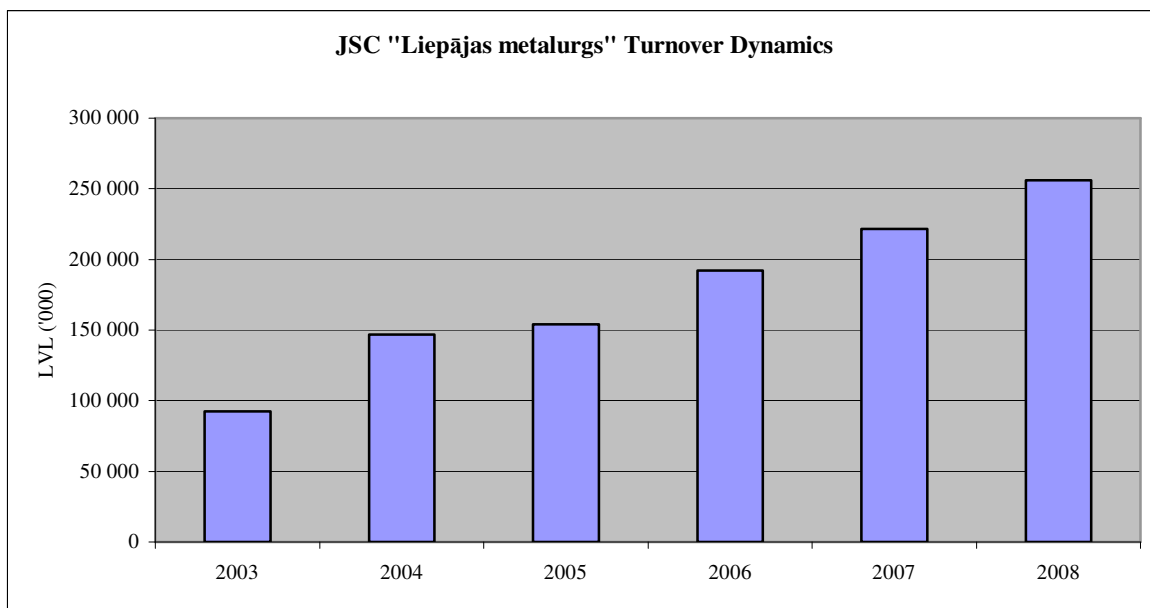


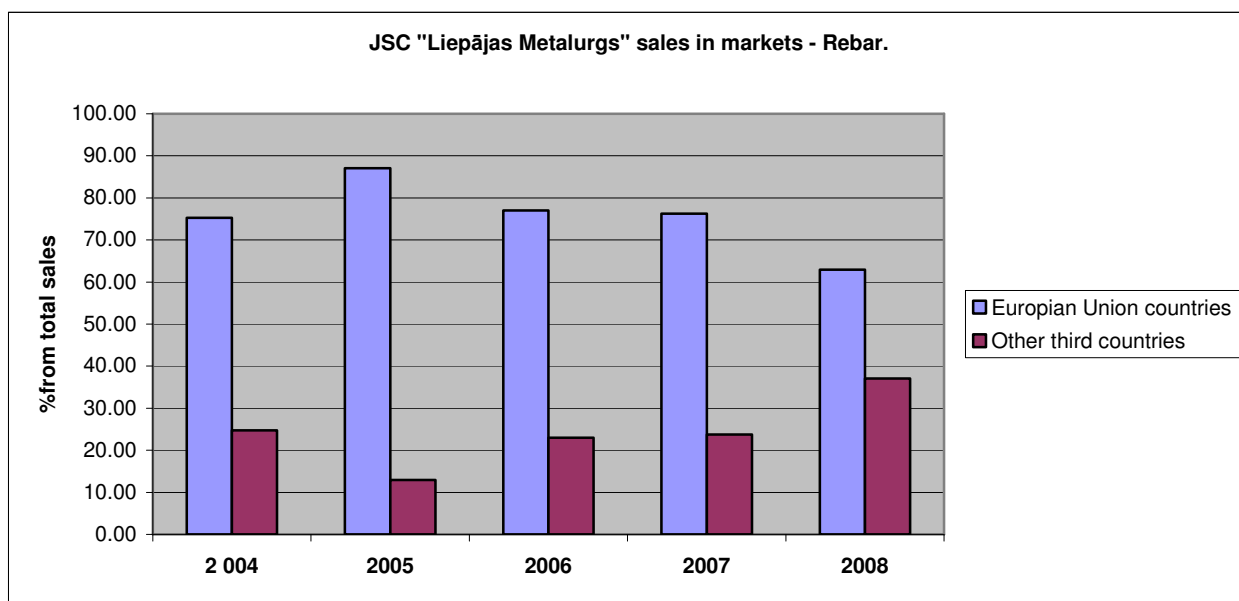
Market History of the Shares				
	2005	2006	2007	2008
Open Price (LVL)	2.15	2.10	2.52	1.15
Highest Price (LVL)	2.95	2.61	4.45	4.08
Lowest Price (LVL)	1.74	1.55	2.06	1.00
Average Price (LVL)	2.31	1.94	3.24	2.06
Ending Price (LVL)	2.09	2.45	3.78	1.15
Quantity of Shares	613 179	660 761	701 512	220 418
Turnover, LVL mio.	1.41	1.28	2.27	0.46
Capitalization, LVL mio.	35.49	41.60	64.19	19.53

The official Bank of Latvia LVL to EUR exchange rate: 0,702804 (divide).

FACTS AND NUMBERS







BALANCE SHEET

ASSETS	Enclosure Number	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
1.LONG-TERM INVESTMENTS					
I. Intangible investments					
1. Other intangible investments		81813	116409	80845	115032
2. Advance payments for intangible investments		0	0	1840	2618
I. TOTAL:		81813	116409	82685	117650
II. Fixed assets		0	0	0	0
1. Land, buildings and constructions and long-term sites		51280868	72966102	52406720	74568045
2. Long-term investments in rented fixed assets		0	0	0	0
3. Technological equipment and machinery		31276949	44503089	33778140	48061963
4. Other fixed assets and inventory		2948170	4194868	3474991	4944467
5. Fixed assets formation and costs of unfinished construction sites		537472	764754	726416	1033597
6. Advance payments for fixed assets		112262	159734	364869	519162
II. TOTAL:		86155721	122588547	90751136	129127233
III. Investment properties					
1. Investment properties		4815333	6851602	4882333	6946934
III. TOTAL:					
IV. Long-term financial investments					
1. Share in the related companies (subsidiaries)		9069006	12904033	9068906	12903891
2. Loans to the related companies (subsidiaries)		41913	59637	45073	64133
3. Share in the capital of associated companies		649843	924643	577843	822197
4. Other loans		167000	237620	0	0
IV. TOTAL:	1	9927762	14125933	9691822	13790220
Section 1 total amount:		100980629	143682490	105407976	149982038
2. CURRENT ASSETS					
I. Stock (Inventories)					
1. Raw materials, basic and auxiliary materials		12372086	17603892	15704898	22346057
2. Unfinished products, Work-in-Process		3033039	4315626	2884425	4104167
3. Finished products and goods for sales		22004983	31310270	12512515	17803705
4. Incompleted orders		5586	7948	2051	2918
5. Advance payments for goods		1121062	1595128	3517227	5004563
I. TOTAL:		38536756	54832864	34621116	49261410
II. Accounts receivable (Debtors)					
1. Trade accounts receivable		9695174	13794990	9246506	13156593
2. Debt of related companies (subsidiaries)		209192	297653	274223	390184
3. Debt of associated enterprises		35666	50748	32101	45676
4. Other debtors (accounts receivable)		4501274	6404736	3546588	5046340
5. Short-term loans		0	0	200	285
6. Prepaid expenses		100884	143545	137696	195924
II. TOTAL:	2	14542190	20691672	13237314	18835001
III. Short-term financial investments					
III. TOTAL:		0	0	0	0
IV. Cash		2589626	3684706	2717013	3865961
IV. TOTAL:		2589626	3684706	2717013	3865961
Section 2 total amount		55668572	79209242	50575443	71962372
TOTAL ASSETS		156649201	222891732	155983419	221944410

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		63016797	89664824	63409841	90224075
3. Reserves: a) reserves stipulated by law		0	0	0	0
3. Reserves: b) other reserves		38393389	54628871	21959004	31244848
TOTAL:		38393389	54628871	21959004	31244848
4. Retained earnings a) undistributed profit from the previous years		0	0	0	0
4. Retained earnings b) undistributed profit of the reporting year		6131440	8724253	16434385	23384023
section 1 total amount:		124522659	177179781	118784263	169014779
2. PROVISIONS		0	0	0	0
1. Provisions for anticipated taxes		0	0	148242	210929
2. Other provisions		1831600	2606132	1907030	2713459
section 2 total amount:	3	1831600	2606132	2055272	2924389
3. LIABILITIES (Accounts Payable)					
I. Long-term Creditors (Accounts Payable)					
I. TOTAL:		0	0	0	0
II. Short-term Creditors (Accounts payable)					
1. Loans from credit institutions		13563414	19298999	10957317	15590857
2. Other loans		3069151	4367008	2957069	4207530
3. Advance payments received from customers		2479285	3527705	8581044	12209726
4. Suppliers and contractors trade account payable		8976687	12772675	10140782	14429033
5. Accrued liabilities (Payable bills of exchange)		209416	297972	188108	267654
6. Payable (debt) to related companies (subsidiaries)		84050	119592	12515	17807
7. Payable (debt) to associated companies		0	0	114560	163004
8. Taxes and state social insurance payments		873847	1243372	996386	1417730
9. Other liabilities		1039092	1478495	1196103	1701901
II. TOTAL:	4	30294942	43105819	35143884	50005242
Section 3 total amount:		30294942	43105819	35143884	50005242
TOTAL LIABILITIES AND EQUITY		156649201	222891732	155983419	221944410

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	12 months 2007 LVL	12 months 2007 EUR
1	2	3	4	5	6	7
1	Net turnover	6, 7	256215399	364561669	221527583	315205353
2	Production costs of goods sold	8	-233252118	-331887863	-190896741	-271621592
3	Gross profit or loss (from turnover)		22963281	32673805	30630842	43583762
4	Sales costs	9	-6887169	-9799559	-7020115	-9988724
5	Administration costs	10	-7391405	-10517022	-8095476	-11518825
6	Other operating income	11	4162195	5922270	7380022	10500825
7	Other operating costs	12	-5055420	-7193215	-4820458	-6858894
8	Interest income and other similar income	13	196093	279015	221438	315078
9	Interest payments and similar expenses		-384738	-547433	-483105	-687396
10	Profit or loss before extraordinary items and taxes		7602837	10817862	17813148	25345826
11	Profit or loss before taxes		7602837	10817862	17813148	25345826
12	Income tax for the reporting period		-1567447	-2230276	-2252493	-3205009
13	Deferred tax		315242	448549	1262767	1796756
14	Other taxes		-219192	-311882	-389037	-553550
15	Reporting period profit or loss after taxes		6131440	8724253	16434385	23384023

The JSC "Liepājas Metalurgs" demonstrated profit at the rate of 0,36 per share.

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

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 2007	
	LVL	EUR	LVL	EUR
OPERATING CASH FLOW				
Cash received from buyers	260091570	370076963	229308376	326276424
Cash received from other business activities	1104091	1570980	1026728	1460902
VAT overpayment received	12613655	17947614	11068311	15748788
Cash paid to suppliers and employees	-255532663	-363590223	-221106712	-314606508
<i>Cash received from the core business activity</i>	<i>18276653</i>	<i>26005334</i>	<i>20296703</i>	<i>28879607</i>
Interest payment	-416966	-593289	-487811	-694093
Corporate income tax payment	-6322	-8995	0	0
Other tax payments	-14756158	-20996121	-15241724	-21687019
<i>Net cash flow from the core business activity</i>	<i>3097207</i>	<i>4406929</i>	<i>4567168</i>	<i>6498495</i>
CASH FLOW FROM INVESTMENT ACTIVITIES				
Long-term credit for students of JSC "LM" and other loans	0	0	12452	17718
Acquisition of fixed assets and intangible assets	-3386706	-4818848	-5583277	-7944287
Sale of fixed assets and intangible assets	5027	7153	160203	227948
Investments in or related companies	-72100	-102589	-3450280	-4909306
Net cash flow from investment operations	-3453779	-4914285	-8860902	-12607928
CASH FLOW FROM FINANCING ACTIVITIES				
Short-term borrowings in net value (credit line)	2638326	3754000	1816748	2585000
Long-term borrowings received from related companies	0	0	2691450	3829588
Loans to associated companies	0	0	-22000	-31303
Repayment of loans by related companies (including loan interest)	23717	33746	873989	
Other investments (sponsorship)	-2331403	-3317288	-2047333	-2913092
Net cash flow from financial activities	330640	470458	3312854	4713767
Result of foreign currency exchange rate fluctuations	-101455	-144357	-18196	-25891
Net growth of cash and its equivalents	-127387	-181255	-999076	-1421557
Cash and its equivalents at the beginning of accounting period	2717013	3865961	3716089	5287518
Cash and its equivalents at the end of accounting period	2589626	3684706	2717013	3865961

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 year	Equity capital TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As of 31.12.2006.	16981033	25274484	0	12491727	9467277	0	64214521
Previous year profit put in reserves				9467277	-9467277		0
Undistributed profit of the reporting period					16434385		16434385
Increase of fixed capital							0
Reserves distribution							0
Increase of revaluation reserve		38605653					38605653
Written-off revaluation reserve		-470296					-470296
As of 31.12.2007.	16981033	63409841	0	21959004	16434385	0	118784263
Previous year profit put in reserves				16434385	-16434385	0	0
Undistributed profit of the review period					6131440		6131440
Increase of fixed capital							0
Increase of revaluation reserve							0
Reserves distribution							0
Written-off revaluation reserve		-393044					-393044
As of 31.12.2008.	16981033	63016797	0	38393389	6131440	0	124522659

	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
As of 31.12.2006.	24161833	35962351	0	17774126	13470722	0	91369032
Previous year profit put in reserves	0	0	0	13470722	-13470722	0	0
Undistributed profit of the reporting period	0	0	0	0	23384023	0	23384023
Reserves distribution	0	0	0	0	0	0	0
Written-off revaluation reserve		-669171					-669171
Increase of revaluation reserve	0	54930895	0	0	0	0	54930895
As at 31.12.2007.	24161833	90224075	0	31244848	23384023	0	169014779
Previous year profit put in reserves	0	0	0	23384023	-23384023	0	0
Undistributed profit of the review period	0	0	0	0	8724253	0	8724253
Increase of revaluation reserve	0	0	0	0	0	0	0
Reserves distribution	0	0	0	0	0	0	0
Written-off revaluation reserve	0	-559251					-559251
As of 31.12.2008.	24161833	89664824.05	0	54628871	8724253	0	177179781

FIXED ASSETS MOVEMENTS DESCRIPTION

LVL

	Intangible Investments	Land, Buildings and Constructions	Long-Term Investments	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	Advance Payments for intangible Investments	TOTAL LVL
Beginning value									
31.12.2007.	275330	52494357	0	35637951	3635310	726416	364869	1840	93136073
Acquired in 2008	29656	1355439		4188646	107467	5581167	536244	12140	11810759
Turned into usage						-5770111	-788851	-13980	-6572942
Reclassified									0
Written-off		-47437		-335590	-65881				-448908
Revaluated									0
Revaluated (depreciation)									0
on 31.12.2008.	304986	53802359	0	39491007	3676896	537472	112262	0	97924982
Depreciation									
31.12.2007.	194485	87637	0	1859811	160319	0	0	0	2302252
Calculated depreciation	28688	2434385		6557448	612375				9632896
Moved over written-off depreciation		-532		-203201	-43968				-247701
Revaluated									0
On 31.12.2008.	223173	2521490	0	8214058	728726	0	0	0	11687447
Balance Value									
31.12.2007.	80845	52406720	0	33778140	3474991	726416	364869	1840	90833821
Balance Value									
31.12.2008.	81813	51280869	0	31276949	2948170	537472	112262	0	86237535

Investment properties (LVL)

On 31.12.2007.	4882333
Moved from Fixed Assets	0
Revaluated profit or loss	-67000
Balance on 31.12.2008.	4815333

EUR

	Intangible Investments	Land, Buildings and Constructions	Long-Term Investments	Tech. Equipment and Machinery	Other Fixed Assets and Inventory	Fixed Assets Formation and Unfinished Construction Sites	Advance Payments For Fixed Assets	Advance Payments for intangible Investments	TOTAL
Beginning value									
31.12.2007.	391759	74692741	0	50708236	5172580	1033597	519162	2618	132520693
Acquired in 2008.	42197	1928616	0	5959906	152912	7941285	763006	17274	16805196
Turned into usage	0	0	0	0	0	-8210128	-1122434	-19892	-9352454
Reclassified	0	0	0	0	0	0	0	0	0
Written-off	0	-67497	0	-477502	-93740	0	0	0	-638739
Revaluated	0	0	0	0	0	0	0	0	0
Revaluated (depreciation)	0	0	0	0	0	0	0	0	0
on 31.12.2008.	433956	76553860	0	56190641	5231752	764754	159734	0	139334697
Depreciation									
31.12.2007.	276727	124696	0	2646273	228113	0	0	0	3275809
Calculated depreciation	40820	3463819	0	9330408	871331	0	0	0	13706378
Moved over	0	0	0	0	0	0	0	0	0
Written-off depreciation	0	-757	0	-289129	-62561	0	0	0	-352447
Revaluated	0	0	0	0	0	0	0	0	0
On 31.12.2008.	317547	3587758	0	11687552	1036884	0	0	0	16629739
Balance Value									
31.12.2007.	115032	74568045	0	48061963	4944467	1033597	519162	2618	129244883
Balance Value									
31.12.2008.	116409	72966102	0	44503089	4194868	764754	159734	0	122704956

Investment properties, (EUR)

On 31.12.2007.	6946934
Moved from Fixed Assets	0
Revaluated profit or loss	-95332
Balance on 31.12.2008.	6851602

ENCLOSURES TO THE ANNUAL REPORT ACCOUNTING POLICY

Basis for Preparation of the Annual Report

The Annual Report is prepared in accordance with the law "On Accounting" and "On Annual Report", as well as with the Latvian Accounting Standards (LAS): 1. LAS, "Financial Statements Preparation Principles", 2. LAS, "Cash Flow Statement", 3. LAS, "Events After the Balance Sheet Date", 4. LAS "Changes in Accounting Policies, Amendments in Accounting Estimates and Prior Period Errors", 5. LAS "Long-term Agreements", 6. LAS "Income", 7. LAS "Fixed Assets", 8. LAS "Provisions, Potential Liabilities and Assets", 9. LAS "Investment Properties", and is also in compliance with the European Union (EU) International Standards on preparation of the Financial Statements. Profit and Loss Statement is prepared using the turnover method. The Cash Flow Statement has been presented, by establishing the cash flow from the core activity by the direct method. As compared to the previous reporting year, the Company's methods used for reporting and valuation have not changed.

Accounting Principles Applied

The items of the Annual Report are evaluated by applying the following accounting principles:

- a) The assumption that the Company will continue its operations as a going concern;
- b) By applying the same valuation methods that were used in the previous year;
- c) The concept of prudence, which implies that valuation of items has been performed with due caution:
 - The Annual Report reflects only the profit earned by the closing date of the Balance;
 - The Report has been presented, taking into account all predictable risk amounts and losses incurred in the reporting year or in the previous years, also where they have become known in the period of time between the date of drawing up the Balance and the respective Annual Report;
 - All amounts that reduce the value, as well as depreciation amounts have been calculated and taken into account, irrespective of whether the reporting year has been completed with profit or losses;
- d) Revenues and expenditures related to the reporting year have been taken into account, irrespective of the date on which the payment was effected and the date of the receipt or drawing of the invoice. The expenditures are coordinated with revenues in the reporting period;
- e) Breakdowns of the Assets and Liabilities items have been calculated separately;
- f) Elements of the opening balance sheet items in the accounting year coincide with those presented in the closing balance of the previous year;
- g) All items, which could essentially affect the assessment or decision-making by the users of this Annual Report, have been presented;
- h) Business transactions in the Annual Report are reflected taking into account their economic nature and essence, not their legal form.

Use of Estimates

In the preparation of the Financial Statements, the management is obliged to base its opinion on definite estimates and assumptions, which impact the balances of the Balance Sheet and Profit and Loss Account items in the particular statements as well as the possible amount of liabilities. Future events can affect assumptions, based on which the respective estimates are

made. Any impact of changes of estimates is reflected in the financial statement at the date when they are identified.

Recognition of Income and Net Turnover (Revenue)

Net turnover is the total sum of the value of goods sold and of the services rendered during the year net of discounts and value added tax.

Other income is recognized as follows:

- a) Income from rent/lease – on the date it is created;
- b) Income from fines and late payments – at the date of the receipt;

Long-Term Intangible Assets and Fixed (Capital) Assets

Intangible assets and fixed assets are recorded at historical cost or revalue amount net of accumulated depreciation and accumulated impairment losses. Joint-Stock Company capitalizes Fixed Assets, which have a value greater than 500 LVL. These fixed assets are recorded as low value assets. The gradual depreciation/amortization application is not necessary or useful in this case, since it is immaterial in relation to the operating activity performance results. Those costs associated with low value assets are reflected in the Profit and Loss statement. At the moment of acquisition, such assets are not accounted for in the balance sheet.

Land depreciation is not calculated. Depreciation is calculated at the time of useful life of a particular asset, by using the straight-line method and applying the following depreciation rates fixed by the management:

Intangible assets	
Licenses and computer software	20 %
Fixed (Capital) Assets:	
Buildings and Structures	5 %
Technological Equipment and Machinery operated in harsh working environment or at the maximum load level	35 %
Transportation Vehicles and Equipment	20 %
Computers and Data Storage Equipment	35 %
Other Fixed Assets	30 %

Intangible assets consist of licences and computer software, which were achieved against pay. The value of intangible assets is amortized by depreciation.

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”. The Financial Statements record the revaluation based on the market valuation methods, i.e. the accumulated depreciation is liquidated as of the revaluation date and a defined value is accepted as its new report value.

Expenditures for current repairs and maintenance are incorporated in the Profit and Loss Statement for the period, in which they are incurred.

Construction in progress

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Profit or loss from exclusion of fixed assets are calculated as a difference between book value of fixed assets and income gained as a result of their sale, and income from the

respective fixed asset revaluation reserve write-off, and are included in the Profit and Loss Statement for the period in which it was created.

The real estate of the Company located in str.Brivibas 3/7, str.Brivibas 93, str.Brivibas 93^a, str.Brivibas 95^a, str.Brivibas 95^b, str.Brivibas 97^a and str.Brivibas 99^a are as credit line security for the bank.

Investment Properties

Investment properties refer to land and buildings kept by the company in order to receive rent from the lease of these property sites, as well as gain income resulting from an increase of value of the said real estate, instead of using it for industrial purposes, supply of goods or services, administrative functions or sale as part of daily business transactions.

Investment properties are initially valued at their cost value, including the cost of the respective transaction. After their initial recognition, investment properties are evaluated in their actual value, which corresponds to the current price of a similar property in similar location and condition and with similar lease contract terms. In cases, when such information is not available, the most recent possible prices in a less active market are used or current value for anticipated cash flow in the future is calculated, which is substantiated with the effective lease contracts and rates of rent for similar properties in the market. Actual value of property is established annually by a certified real estate appraiser from "BDO Invest Rīga".

Beginning from year 2006, profit or losses from adjustments of actual value of investment properties are reflected in the Profit and Loss Statement. Prior to year 2006, the changes in actual value of fixed assets were reflected in the long-term assets revaluation reserve under owner's equity.

The real estate which is being constructed and developed to use it as investment property is stated at historical cost and included in fixed assets as fixed assets under construction as long as it is not completed and put into operation as investment property.

The cadastral value of the JSC "Liepājas Metalurgs" real estate in 2008 was:

- Land: LVL **15752082,-** (EUR 22413193,-)
- Buildings: LVL **20393048,-** (EUR 29016693,-)

Investments in Subsidiaries and Associated Companies

Investments in subsidiaries (i.e., in companies, in which the Company is holding more than 50% of share capital or which it is controlling in some other way) and associated companies (i.e., companies, in which the Company exercises significant influence but does not hold the controlling interest, in which it has a 20-50% stake of share capital) are entered in accounts by applying the cost method. After initial recognition, investments in subsidiaries and associated companies are entered in accounts in their initial value, less the losses due to reduction of value. The Company recognizes the revenues from its holding in equity only to the extent to which the Company receives the share of accumulated profit of the subsidiary or associated company, which is gained after the date of acquisition of capital shares/parts. The received part of profit, which exceeds such profit, is considered as recovery of investment and is regarded as reduction of initial value of investments. Dividends from affiliated companies are not received. The Company investments in related companies were LVL 9069006,- (EUR 12904033,-) and in associated companies were LVL 649843,- (EUR 924643,-).

Changes in Accounting Policy

The Company's accounting policy and valuation methods have not been changed.

Currency Unit and Conversion of Foreign Currency

Values presented in these financial statements are expressed in the Latvian national currency – lats (LVL).

All transactions in foreign currencies are converted into LVL according to the official currency rate fixed by the Bank of Latvia on the date the particular transaction is performed. Assets and liabilities expressed in foreign currencies are converted into LVL according to the currency rate fixed by the Bank of Latvia on the last date of the accounting period. Profit or losses due to foreign currency rate fluctuations are reflected in the Profit and Loss account for the respective accounting period in net value.

	31.12.2007.	31.12.2008.
USD	0.484	0.495
EUR	0.702804	0.702804

Cash and Its Equivalents

The Cash Flow Statement reflects cash and cash equivalents in the cash office, current bank account balances and short-term deposits. The Cash Flow Statement is prepared by using the direct method.

Long-Term and Short-Term Items

Long-term items incorporate amounts with a term of receipt, payment or write-off longer than one year since the end of the respective accounting year. The amounts to be received, paid or written off within one year's time are presented in short-term items.

Capitalization of Loan Payments and Other Payments

The value of incomplete construction sites is increased by the loan interest used for the formation of fixed assets and other direct costs incurred with regard to the particular construction site until putting the newly constructed object into use. Initial value of the respective fixed asset is not increased by the loan interest used for the formation of fixed assets in the periods, in which active development work on the unfinished construction site is not performed.

Accounts Receivable

Accounts receivable are presented in the balance sheet in their net value, by deducting specific provisions for bad and doubtful debts from initial value. Specific provisions for bad and doubtful debts are formed in cases when the management considers that recovery of these specifically separated accounts receivable is unlikely. On a conservative basis, only the actual account receivable debt is presented in the Balance Sheet. The Accounts Receivable balances are recorded based on the corresponding entries in the accounting registers.

Financial Leasing

The Company does not practice financial leasing. JSC "Liepājas Metalurgs" uses such forms of short-term financing as factoring. The commercial contracts often have payment terms up to 90 days. The bank acts as an intermediary between the supplier and buyer by purchasing wire-invoices from the supplier and inquiring corresponding payments from the buyer. The Company operates under a recourse factoring agreement, where the Company is

held responsible in front of the bank in such cases when the buyer fails to deliver the payment.

Creditor Obligations

Creditor Obligations are reflected in the costs and comply with proper documentation and entries in the accounting registers. Short-term creditors include those with payment terms within a 12-month period after the end of the reporting period.

Credited advance payment is presented as loans (other loans).

Research and Development Costs

Research costs are recognized in the Profit and Loss Statement for the period in which they were incurred. Development costs related to sale or development of an asset for own needs are capitalised in the balance sheet under intangible assets, which are recognized only in that case when the Company can prove that the completion of this intangible assets is technically possible in a way to enable its further sale or use to produce business benefits.

Evaluation of Stock

Stock is evaluated by using the weighted average cost method. First-in-first-out (FIFO) method is used in the inventory accounting. Obsolete, slow-turnover or damaged stock is written-off. Inventories in the shops are written-off based on the production average costs. The stock inventory amount is checked during an annual cycle count.

Finished goods, work-in-process and service balances are reflected in the costs.

Provisions for Unused Vacations

Reserves for unused vacations are established by taking a fraction of 1/12 from the next year anticipated wages expenses from the approved wage reserve in the 2009 budget of the Joint-Stock Company.

Corporate Income Tax

Corporate income tax in the reporting period includes current and deferred taxes. The corporate income tax has been stated in the Profit or Loss Statement.

Corporate income tax for the reporting period has been calculated in accordance with the requirements of the law of the Republic of Latvia "On corporate income tax", applying a 15% rate fixed by the law.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The temporary differences are related with the differences in the depreciation rates of reporting and tax depreciation and amortization on the Company's non-current assets, as well as with accruals for unused annual leave and with tax losses carried forward. The deferred tax was calculated by applying a 15% tax rate fixed by the law.

Reclassification of Items

The classification of items information and presentation in the financial reports of 2008 was not changed in comparison to the year 2007.

Events After the Balance Sheet Date

There have been no events since the closing date of the Balance Sheet which could materially impact the financial condition of the company.

Number of Employees

The average number of LM employees in 2008 was 2633.

Council and Board Compensation

The compensation to the Council Members in:	2007 was LVL 228060 (EUR 324500)
	2008 was LVL 228060 (EUR 324500)

Compensation to the licensed auditor

In 2008, for its commercial operation concerning the audit of the Annual Report, "BDO Invest Rīga" received 25801.00 LVL, and for other assignments it received 105401.00 LVL.

ENCLOSURES TO BALANCE SHEET

1. INVESTMENT CHANGES

Long-Term Financial Investments (LVL)

Company Name, Address, Registration Number	Ownership in % and LVL	
	31.12.2007.	31.12.2008.
Related Companies (Subsidiaries)		
JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	95.17 7749206	95.17 7749206
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	95 1900	95 1900
"Ice-Hockey Hall "Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003421648	90 1800	95 1900
"Rūķis LM", Ltd. Brīvības iela 93, Liepāja; 42103038147	100 1316000	100 1316000
Total Investments in Related Companies, LVL	9068906	9069006
Associated Companies		
"Elme Messer Metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003461570	49 432343	49 432343
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	50 13000	50 13000
JSC "Sātiņi LM" 42103037207	50 12500	50 84500
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50 120000	50 120000
Total Investments in Associated Companies, LVL	577843	649843

Long-Term Financial Investments: Year 2008 Movement Report (LVL)

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 01.01.2008.	9068906	577843	45073
Invested (loans provided)	100	72000	0
Repaid loans			3160
Written-off			
Accumulated saving			
The balance on 31.12.2008.	9069006	649843	41913

Long-Term Financial Investments (EUR)

Company Name, Address, Registration Number	Ownership in % and EUR	
	31.12.2007.	31.12.2008.
Related Companies (Subsidiaries)		
JSC "Liepājas osta LM" (Liepāja's Port LM) Sliežu iela 7/1, Liepāja; 40003154754	95.17 11026127	95.17 11026127
"Sports Club Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003348213	95 2703	95 2703
"Ice-Hockey Hall Liepājas metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003421648	90 2562	95 2704
"Rūķis LM", Ltd. Brīvības iela 93, Liepāja; 42103038147	100 1872499	100 1872499
Total Investments in Related Companies, EUR	12903891	12904033
Associated Companies		
"Elme Messer Metalurgs", Ltd. Brīvības iela 93, Liepāja; 40003461570	49 615169	49 615169
"SMA LM Mineral", Ltd. Brīvības iela 93, Liepāja; 42103037781	50 18497	50 18497
JSC "Sātiņi LM" 42103037207	50 17786	50 120233
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50 170745	50 170745
Total Investments in Associated Companies, EUR	822197	924644

Long-Term Financial Investments: Year 2008 Movement Report (EUR)

	Share in the capital of related companies (subsidiaries)	Share in the capital of associated companies	Long-Term Loans
Beginning value on 01.01.2008.	12903891	822197	64133
Invested (loans provided)	142	102446	0
Repaid loans			4496
Written-off			
Accumulated saving			
The balance on 31.12.2008.	12904033	924643	59637

2. ACCOUNTS RECEIVABLE (DEBTORS)

DEBTORS	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
Customers and affiliated companies debts	9940032	14143391	9552830	13592453
Incl. Debts of buyers and customers	7174786	10208801	7021375	9990517
Incl. Debts of buyers with factoring activities	2520388	3586189	2225131	3166076
Incl. Debts of related companies (subsidiaries)	209192	297653	274223	390184
Incl. Debts of associated enterprises (doubtful debtors debt)	35666 /154498/	50748 /219831/	32101 /60098/	45676 /85512/
Other debtors	4501274	6404736	3546588	5046340
Incl. Accrued and unpaid VAT	93265	132705	158060	224899
Incl. Advance payments	3084	4388	952	1355
Incl. VAT budget overpayments	3143991	4473496	3124256	4445416
Incl. Various debtors	36730	52262	33598	47806
Incl. Overpaid salaries	175	249	55	78
Incl. Advance prepayment for services	12717	18095	17344	24678
Incl. Advance prepayment for Corporate income tax	1199246	1706373	190278	270741
Incl. Overpaid taxes	2066	2940	11463	16310
Incl. Security deposit	10000	14229	10582	15057
Short-term loans to employees	0	0	200	285
Future periods payments	100884	143545	137696	195924
Incl. Press expenses	9600	13660	8963	12753
Incl. Miscellaneous	5394	7675	11406	16229
Incl. Property insurance	36100	51366	6443	9168
Incl. Audit expenses	10786	15347	9975	14193
Incl. Rent	39004	55498	59659	84887
Incl. Publicity and Advertisemenet	0	0	41250	58693
Total Debtors:	14542190	20691672	13237314	18835001

3. PROVISIONS

	Provisions for anticipated vacations (4318)		Provisions for doubtful debtors (4319)		Other provisions (4316)		Tax provisions	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
On 31.12.2007.	1907030	2713459	60098	85512	0	0	148242	210929
Increase	0	0	123967	176389	0	0	0	0
Decrease	-75430	-107327	-19722	-28062	0	0	-148242	-210929
Written-off as bad debt	0	0	-9942	-14146	0	0	0	0
Repriced	0	0	97	138	0	0	0	0
On 31.12.2008.	1831600	2606132	154498	219831	0	0	0	0

The amount of provisions for doubtful debtors and the actual doubtful debtors' debt balance offset each other, therefore only actual debtors are accounted for in the Balance sheet.

4. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
Short-term borrowing from credit institutions (credit line)	13563414	19298999	10925088	15545000
Credit interests	0	0	32229	45858
Advance payments (residents)	622725	886058	671253	955107
Advance payments (non residents)	1856560	2641647	7909791	11254619
Other borrowing (factoring)	3069151	4367008	2957069	4207530
Debts to suppliers and contractors	8976687	12772675	10140782	14429033
Incl. Materials and gas	5522269	7857481	6823064	9708345
Incl. Services	1228187	1747553	891327	1268244
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
Debts to related enterprises (subsidiaries)	84050	119592	188108	267654
Debts to associated enterprises	0	0	12515	17807
Accrued liabilities	209416	297972	114560	163004
Taxes and social insurance payments	873847	1243372	996386	1417730
Incl. State tax	645	918	677	963
Incl. Residents' Income tax	332305	472827	404368	575364
Incl. VAT for the previous period	1235	1757	41	58
Incl. Social Security tax	525897	748284	567844	807969
Incl. Nature resources tax	13689	19478	23456	33375
Incl. Real estate (land) tax	76	108	0	0
Other creditors (liabilities)	1039092	1478495	1196103	1701901
Incl. Payments for salaries	1000428	1423481	1161237	1652291
Incl. Deductions from salaries	38664	55014	34866	49610
Total Creditors:	30294942	43105819	35143884	50005242

5. TAXES AND SECURITY PAYMENTS

Tax Description	Balance as of 01.01.2008.		Recorded for year 2008.		Paid for year 2008.		Balance as of 31.12.2008.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Real estate tax (buildings)	0	0	165904	236060 0	165904	236060	0	0
Land tax to Liepaja City local authorities	0	0	53188	75680	55156	78480	-1968	-2800
Land tax to District Regional Authorities	0	0	100	142	25	36	75	107
Income tax	404368	575364	4446037	6326141	4518100	6428677	332305	472827
Social security tax	567844	807969	6577070	9358327	6619018	9418014	525896	748283
Business risk duty	677	963	8141	11584	8173	11629	645	918
Corporate income tax	-190278	-270741.2024	1567447	2230276	2576414	3665907	-1199245	-1706372
Natural resources tax	23456	33375	78871	112223	88638	126121	13689	19478
Packing tax	-99	-141	0	0	0	0	-99	-141
Excise tax	0	0	21967	31256	21967	31256	0	0
Value added tax	41	58	4327538	6157532	4326344	6155833	1235	1757
TOTAL	806009	1146847	17246263	24539221	18379739	26152013	-327467	-465944
VAT overpayment (pretax)	-3124256	-4445416	-26599275	-37847359	26579540	37819278	-3143991	-4473496

Tax overpayments (-) and advance payments are recorded in section "Other debtors" of Balance Sheet.

ENCLOSURES TO PROFIT AND LOSS STATEMENT

6. NET TURNOVER (REVENUE)

Product Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Rolled steel	253532697	360744528	217491995	309463229
Consumer goods	1219627	1735373	2710611	3856852
Services	199947	284499	204482	290952
Sold steam, gCal	23073	32830	16785	23883
Medical department	1171158	1666408	995599	1416610
Transportation services	68897	98032	87106	123941
Organization of cultural and social events	0	0	21005	29887
TOTAL	256215399	364561669	221527583	315205353

7. 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	161280149	229480978	168891759	240311323
Other third countries	94935250	135080691	52635824	74894030
Total	256215399	364561669	221527583	315205353

8. PRODUCTION COSTS OF SOLD GOODS

Cost Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Materials	173778537	247264582	142818126	203211886
Salaries and wages	16368838	23290758	14896136	21195292
Social benefits deductions	3846743	5473422	3491016	4967268
Depreciation	8484291	12072058	5597705	7964817
Other costs	30773709	43787043	24093758	34282329
Total	233252118	331887863	190896741	271621592

9. SALES COSTS

Cost Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Packing materials	151385	215401	169150	240679
Transportation costs	2092470	2977317	1624507	2311465
Freight	2423005	3447626	3341638	4754723
Port handling charges	1674240	2382229	1166612	1659939
Advertising and marketing costs	69155	98399	91227	129804
Other sales costs (insurance, storage/warehousing, depreciation, and other)	290479	413314	528326	751740
Other banking services, interests, guarantee, and similar	186435	265273	98655	140373
Total	6887169	9799559	7020115	9988724

10. ADMINISTRATION COSTS

Costs Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Salaries and social costs	4528225	6443084	4911693	6988710
Communication costs	135696	193078	136255	193873
Office supplies and office maintenance costs (transportation, security, public relation service, and other)	1286224	1830132	1616004	2299367
Legal and auditing fees	396027	563496	637724	907400
Presentation costs	197480	280989	197366	280827
Depreciation of fixed assets	569133	809803	424065	603390
Traveling expenses	140454	199848	129649	184474
Management training	19940	28372	15758	22422
Costs for bank account services	19705	28038	16744	23825
Costs related to stockholders	98521	140183	10218	14539
Total	7391405	10517022	8095476	11518825

11. OTHER OPERATING INCOME

Income Description	For 12 months of year 2008		For 12 months of year 2008	
	LVL	EUR	LVL	EUR
Sale of current assets	1668658	2374286	1483009	2110132
Sale of fixed assets and liquidation	5027	7153	147237	209499
Received fines	12485	17765	19529	27787
Written-off revaluation reserve of fixed assets	46582	66280	41952	59692
Income from investment properties revaluation	393044	559251	470297	669172
Bad debt recovery	0	0	372959	530673
Other income from operating activity	181492	258240	222698	316871
Income due to a decrease in provisions	1779477	2531968	1634607	2325836
Total	75430	107327	2987734	4251162
	4162195	5922270	7380022	10500825

12. OTHER OPERATING COSTS

Costs Description	For 12 months of year 2008		For 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	9845 190695	14008 271335	101917 32960	145015 46898
Write-off due to revaluation of fixed assets	0	0	304534	433313
Investment properties value decrease	67000	95332	0	0
Currency exchange loss	42614	60634	374210	532453
Costs of reserve establishment	0	0	6772	9636
Provisions for bad debts	124065	176529	48681	69267
Bad debt write-off	⁴ 155786	221664	291820	415222
Compensations	336428	478694	301766	429374
Other costs	68661	97696	74344	105782
Paid fines	23600	33580	60991	86782
Costs not related to the operating activities	2449413	3485201	1996140	2840251
Costs of infrastructure maintenance	77313	110006	49005	69728
Training costs of the new staff	24292	34564	64744	92122
Costs of previous period	104269	148361	0	0
Costs of auto maintenance	46880	66704	0	0
Total	5055420	7193215	4820458	6858894

13. INTEREST INCOME

Income	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Income from loans to business persons	4790	6815	133613	190114
Income from bank accounts	4168	5931	13652	19425
Income from deposit investments	187135	266269	74173	105539
Total Interest Income:	196093	279015	221438	315078