

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

## Quarterly Report

For 12 months of the year 2008

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

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.

The Company's Profit from business activities in the reporting period was 6.1 mill. LVL (EUR 8.7 mill.), which was 10.3 million LVL (EUR 14.7 mill.) less than in 12 months of the year 2007.

The Net Turnover in the reporting period was 256.2 million LVL (EUR 364.5 mill.), which was 34.7 million LVL (EUR 49.4 mill.) more than in the 12 months, 2007.

The Net Turnover in the reporting period in comparison with the 12 months of the year 2007 rose due to the product price increase while the sold product volume decreased by 8.6%.

The decrease of profit was primarily related to the fact that the 12-month average price for the sold product increased by 27.7% while the materials prices rose by 31.4% when comparing to the levels in the same period of the previous year.

The Company invested LVL 5.7 million (approx. EUR 8.1 mill.) in its development during the reporting period.

JSC "Liepājas Metalurgs" continued the activities concerning the steel melting production practice and related to its modernization program financing.

Chairman of the Board

\_\_\_\_\_

/V.Terentjevs/

## **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 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/

### INFORMATION ON THE COMPANY

- |                                                                   |                                                                                                                   |        |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------|
| 1. Full name of the Company:                                      | Joint-Stock Company "Liepājas Metalurģs"                                                                          |        |
| 2. Legal status of the Company:                                   | Public Joint-Stock Company                                                                                        |        |
| 3. Registration number of the State<br>Registration, place, date: | 40003014197<br>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<br>Phone: +371 634 55921                                              |        |
| 7. Type of business activity:                                     | Steel production                                                                                                  |        |
| 8. Year of account:                                               | 2008, 12 months                                                                                                   |        |
| 9. Director:                                                      | Leons Ptičkins<br>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)                                                                                 | 17.70% |
| 11. Council:                                                      | Sergejs Zaharjins<br>Aleksejs Zaharjins<br>Kirovs Lipmans<br>Māris Pomerancis<br>Guntis Vilnītis<br>Andris Deniņš |        |
| 12. Members of the Board:                                         | Valērijs Terentjevs<br>Iļja Segals<br>Leons Ptičkins                                                              |        |
| 13. The name of the bank, code, operating<br>account number:      | AS SEB Unibanka<br>Konta Nr.LV96UNLA 0012002467028                                                                |        |
| 14. Chief Accountant:                                             | Ligita Bērzupe                                                                                                    |        |
| 15. Average number of employees:                                  | 2633                                                                                                              |        |

**BALANCE SHEET**

ASSETS	Enclosure Number	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
<b>1.LONG-TERM INVESTMENTS</b>					
<b>I. Intangible investments</b>					
1. Other intangible investments		81813	116409	80845	115032
2. Advance payments for intangible investments		0	0	1840	2618
<b>I. TOTAL:</b>		<b>81813</b>	<b>116409</b>	<b>82685</b>	<b>117650</b>
<b>II. Fixed assets</b>		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
<b>II. TOTAL:</b>		<b>86155721</b>	<b>122588547</b>	<b>90751136</b>	<b>129127233</b>
<b>III. Investment properties</b>					
1. Investment properties		<b>4815333</b>	<b>6851602</b>	<b>4882333</b>	<b>6946934</b>
<b>IV. Long-term financial investments</b>					
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		157212	223693	0	0
<b>IV. TOTAL:</b>	<b>1</b>	<b>9917974</b>	<b>14112006</b>	<b>9691822</b>	<b>13790220</b>
<b>Section 1 total amount:</b>		<b>100970841</b>	<b>143668563</b>	<b>105407976</b>	<b>149982038</b>
<b>2. CURRENT ASSETS</b>					
<b>I. Stock (Inventories)</b>					
1. Raw materials, basic and auxiliary materials		12371835	17603535	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
<b>I. TOTAL:</b>		<b>38536505</b>	<b>54832507</b>	<b>34621116</b>	<b>49261410</b>
<b>II. Accounts receivable (Debtors)</b>					
1. Trade accounts receivable		10217159	14537708	9246506	13156593
2. Debt of related companies (subsidiaries)		333161	474045	274223	390184
3. Debt of associated enterprises		35666	50748	32101	45676
4. Other debtors (accounts receivable)		4334850	6167936	3546588	5046340
5. Short-term loans		0	0	200	285
6. Prepaid expenses		100884	143545	137696	195924
<b>II. TOTAL:</b>	<b>2</b>	<b>15021720</b>	<b>21373982</b>	<b>13237314</b>	<b>18835001</b>
<b>III. Short-term financial investments</b>					
<b>III. TOTAL:</b>		0	0	0	0
<b>IV. Cash</b>		2589626	3684706	2717013	3865961
<b>IV. TOTAL:</b>		<b>2589626</b>	<b>3684706</b>	<b>2717013</b>	<b>3865961</b>
<b>Section 2 total amount</b>		<b>56147851</b>	<b>79891194</b>	<b>50575443</b>	<b>71962372</b>
<b>TOTAL ASSETS</b>		<b>157118692</b>	<b>223559758</b>	<b>155983419</b>	<b>221944410</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Enclosure Number	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
<b>1. SHAREHOLDERS' EQUITY</b>					
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
<b>3. TOTAL:</b>		<b>38393389</b>	<b>54628871</b>	<b>21959004</b>	<b>31244848</b>
4. Retained earnings a) undistributed profit from the previous years		0	0	0	0
4. Retained earnings b) undistributed profit of the reporting year		6078276	8648608	16434385	23384023
section 1 total amount:		<b>124469495</b>	<b>177104136</b>	<b>118784263</b>	<b>169014779</b>
<b>2. PROVISIONS</b>		0	0	0	0
1. Provisions for anticipated taxes		0	0	148242	210929
2. Other provisions		1831600	2606132	1907030	2713459
section 2 total amount:	<b>3</b>	<b>1831600</b>	<b>2606132</b>	<b>2055272</b>	<b>2924389</b>
<b>3. LIABILITIES (Accounts Payable)</b>					
I. Long-term Creditors (Accounts Payable).		0	0	0	0
<b>I. TOTAL:</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
II. Short-term Creditors (Accounts payable)					
1. Loans from credit institutions		13563414	19298999	10957317	15590857
2. Other loans		3591097	5109671	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)		198356	282235	188108	267654
6. Payable (debt) to related companies (subsidiaries)		83798	119234	12515	17807
7. Payable (debt) to associated companies		0	0	114560	163004
8. Taxes and state social insurance payments		885867	1260475	996386	1417730
9. Other liabilities		1039093	1478496	1196103	1701901
<b>II. TOTAL:</b>		<b>30817597</b>	<b>43849490</b>	<b>35143884</b>	<b>50005242</b>
Section 3 total amount:	<b>4</b>	<b>30817597</b>	<b>43849490</b>	<b>35143884</b>	<b>50005242</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>157118692</b>	<b>223559758</b>	<b>155983419</b>	<b>221944410</b>

Chairman of the Board

V.Terentjevs

### 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	-233252013	-331887714	-190896741	-271621592
3	Gross profit or loss (from turnover)		22963386	32673955	30630842	43583762
4	Sales costs	9	-6874571	-9781633	-7020115	-9988724
5	Administration costs	10	-7392099	-10518009	-8095476	-11518825
6	Other operating income	11	4152436	5908384	7380022	10500825
7	Other operating costs	12	-4931168	-7016420	-4820458	-6858894
8	Interest income and other similar income	13	205853	292902	221438	315078
9	Interest payments and similar expenses		-384738	-547433	-483105	-687396
10	Profit or loss before extraordinary items and taxes		7739099	11011746	17813148	25345826
11	Profit or loss before taxes		7739099	11011746	17813148	25345826
12	Income tax for the reporting period		-1747160	-2485985	-2252493	-3205009
13	Deferred tax		305454	434622	1262767	1796756
14	Other taxes		-219117	-311775	-389037	-553550
15	Reporting period profit or loss after taxes		6078276	8648608	16434385	23384023

The JSC "Liepājas metalurģs" 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*



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

	Reporting period		12 months 2007	
	LVL	EUR	LVL	EUR
<b>OPERATING CASH FLOW</b>				
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	-365915130	-520650324	-221106712	-314606508
<i>Cash received from the core business activity</i>	<i>-92105814</i>	<i>-131054766</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
<b>Net cash flow from the core business activity</b>	<b>-107285260</b>	<b>-152653172</b>	<b>4567168</b>	<b>6498495</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of fixed assets and intangible assets	-3386706	-4818848	-5583277	-7944287
Sale of fixed assets and intangible assets	5027	7153	160203	227948
Long-term loans for students of JSC "LM"	0	0	12452	17718
Other loans granted	0	0	0	0
Investments in related or associated companies	-72100	-102589	-3450280	-4909306
Repayment of loans	0	0	0	0
<b>Net cash flow from investment operations</b>	<b>-3453779</b>	<b>-4914285</b>	<b>-8860902</b>	<b>-12607928</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Short-term borrowings in net value (credit line)	113020793	160814100	1816748	2585000
Long-term borrowings received from related companies	0	0	2691450	3829588
Paid liabilities for financial leasing	0	0	0	0
Loans to associated and related companies	0	0	-22000	-31303
Other long-term loans	0	0	0	0
Other investments (sponsorship)	-2331403	-3317288	-2047333	-2913092
Related companies (subsidiaries) loans (and interests) repayment	23717	33746	873989	1243574
<b>Net cash flow from financial activities</b>	<b>110713107</b>	<b>157530559</b>	<b>3312854</b>	<b>4713767</b>
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
<b>Cash and its equivalents at the end of accounting period</b>	<b>2589626</b>	<b>3684706</b>	<b>2717013</b>	<b>3865961</b>

**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
<b>As of 31.12.2006.</b>	<b>16981033</b>	<b>25274484</b>	<b>0</b>	<b>12491727</b>	<b>9467277</b>	<b>0</b>	<b>64214521</b>
Previous year profit put in reserves				9467277	-9467277		0
Undistributed profit of the reporting period					16434385		16434385
Reserves distribution							0
Increase of revaluation reserve		38605653					38605653
Written-off revaluation reserve		-470296					-470296
<b>As of 31.12.2007.</b>	<b>16981033</b>	<b>63409841</b>	<b>0</b>	<b>21959004</b>	<b>16434385</b>	<b>0</b>	<b>118784263</b>
Previous year profit put in reserves				16434385	-16434385	0	0
Undistributed profit of the reporting period					6078276		6078276
Increase of fixed capital							0
Increase of revaluation reserve							0
Written-off revaluation reserve		-393044					-393044
<b>As of 31.12.2008.</b>	<b>16981033</b>	<b>63016797</b>	<b>0</b>	<b>38393389</b>	<b>6078276</b>	<b>0</b>	<b>124469495</b>

	Share capital	Revaluation reserve of long term investments	Reserves stated by Statute	Other reserves	Retained Earnings of the reporting year	Retained Earnings of the previous years	Equity capital TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As of 31.12.2006.</b>	<b>24161833</b>	<b>35962351</b>	<b>0</b>	<b>17774126</b>	<b>13470722</b>	<b>0</b>	<b>91369032</b>
Previous year profit put in reserves				13470722	-13470722		0
Undistributed profit of the reporting period					23384023		23384023
Reserves distribution		0					0
Increase of revaluation reserve		54930895					54930895
Written-off revaluation reserve		-669171					-669171
<b>As of 31.12.2007.</b>	<b>24161833</b>	<b>90224075</b>	<b>0</b>	<b>31244848</b>	<b>23384023</b>	<b>0</b>	<b>169014779</b>
Previous year profit put in reserves				23384023	-23384023	0	0
Undistributed profit of the reporting period					8648608		8648608
Increase of fixed capital							0
Increase of revaluation reserve		0					0
Written-off revaluation reserve		-559251					-559251
<b>As of 31.12.2008.</b>	<b>24161833</b>	<b>89664824</b>	<b>0</b>	<b>54628871</b>	<b>8648608</b>	<b>0</b>	<b>177104136</b>

## ENCLOSURES TO BALANCE SHEET

### 1. INVESTMENT CHANGES

#### Long-Term Financial Investment, (LVL)

Company Name, Address, Registration Number	Ownership in % and LVL	
	31.12.2007.	31.12.2008.
<b>Related Companies (Subsidiaries)</b>		
LSEZ 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. Vānes iela 25, Liepāja; 42103038147	100 1316000	100 1316000
<b>Total Investments in Related Companies, LVL</b>	<b>9068906</b>	<b>9069006</b>
<b>Associated Companies</b>		
"Elme Messer Metalurgs", Ltd. LSEZ 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", Brīvības iela 93, Liepāja 42103037207	50 12500	50 84500
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50 120000	50 120000
<b>Total Investments in Associated Companies, LVL</b>	<b>577843</b>	<b>649843</b>

#### Long-Term Financial Investments: 12 months 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 31.12.2007.	9068906	577843	45073
Invested (loans provided)	100	72000	0
Written off (Repaid loans)			3160
Moved to another item (or written-off)			
Accumulated saving			
The balance on 31.12.2008.	9069006	649843	41913

### Long-Term Financial Investment, (EUR)

Company Name, Address, Registration Number	Ownership in % and EUR	
	31.12.2007.	31.12.2008.
<b>Related Companies (Subsidiaries)</b>		
LSEZ 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. Vānes iela 25, Liepāja; 42103038147	100 1872499	100 1872499
<b>Total Investments in Related Companies, EUR</b>	<b>12903891</b>	<b>12904033</b>
<b>Associated Companies</b>		
"Elme Messer Metalurgs", Ltd. LSEZ 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" Brīvības iela 93, Liepāja; 42103037207	50 17786	50 120233
"Metalurgs & Duna", Ltd. Stūrmaņa 1, Liepāja; 42103019610	50 170745	50 170745
<b>Total Investments in Associated Companies, EUR</b>	<b>822197</b>	<b>924644</b>

### Long-Term Financial Investments: 12 months 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 31.12.2007.	12903891	822197	64132
Invested (loans provided)	142	102447	
Written off (Repaid loans)			4496
Moved to another item (or written-off )			
Accumulated saving			
The balance on 31.12.2008.	12904033	924644	59636

## 2. ACCOUNTS RECEIVABLE (DEBTORS)

DEBTORS	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
<b>Customers and affiliated companies debts</b>	<b>10585986</b>	<b>15062501</b>	<b>9552830</b>	<b>13592453</b>
Incl. Debts of buyers and customers	7174785	10208799	7021375	9990517
Incl. Debts of buyers with factoring activities	3042374	4328908	2225131	3166076
Incl. Debts of related companies (subsidiaries)	333161	474045	274223	390184
Incl. Debts of associated enterprises (doubtful debtors debt)	35666 /30531/	50748 /43442/	32101 /60098/	45676 /85512/
<b>Other debtors</b>	<b>4334850</b>	<b>6167936</b>	<b>3546588</b>	<b>5046340</b>
Incl. Accrued and unpaid VAT	106556	151616	158060	224899
Incl. Advance payments	3084	4388	952	1355
Incl. VAT budget overpayments	3143991	4473496	3124256	4445416
Incl. Various debtors	36728	52259	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	1019533	1450665	190278	270741
Incl. Overpaid taxes	2066	2940	11463	16310
Incl. Security deposit	10000	14229	10582	15057
<b>Short-term loans to employees</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>285</b>
<b>Future periods payments</b>	<b>100884</b>	<b>143545</b>	<b>137696</b>	<b>195924</b>
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
<b>Total Debtors:</b>	<b>15021720</b>	<b>21373982</b>	<b>13237314</b>	<b>18835001</b>

### 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
<b>On 31.12.2007.</b>	1907030	2713459	60098	85512	0	0	148242	210929
Increase	0	0	0	0	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
<b>On 31.12.2008.</b>	<b>1831600</b>	<b>2606132</b>	<b>30531</b>	<b>43442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4. ACCOUNTS PAYABLE (CREDITORS)

CREDITORS	As of 31.12.2008.		As of 31.12.2007.	
	LVL	EUR	LVL	EUR
<b>Short-term borrowing from credit institutions</b>	0	0	0	0
<b>Credit interests</b>	0	0	0	0
<b>Short-term borrowing from credit institutions (credit line)</b>	13563414	19298999	10925088	15545000
<b>Credit interests</b>	0	0	32229	45858
<b>Advance payments (residents)</b>	622725	886058	671253	955107
<b>Advance payments (non residents )</b>	1856560	2641647	7909791	11254619
<b>Other borrowing (factoring)</b>	3591097	5109671	2957069	4207530
<b>Debts to suppliers and contractors</b>	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
<b>Debts to related enterprises (subsidiaries)</b>	83071	118199	188108	267654
<b>Debts to associated enterprises</b>	0	0	12515	17807
<b>Accrued liabilities to suppliers</b>	198356	282235	114560	163004
<b>Taxes and social insurance payments</b>	885867	1260475	996386	1417730
Incl. State tax	645	918	677	963
Incl. Residents' Income tax	332305	472827	404368	575364
Incl. VAT for the previous period	13331	18968	41	58
Incl. Social Security tax	525897	748284	567844	807969
Incl. Natural resources tax	13689	19478	23456	33375
<b>Other creditors (liabilities)</b>	1039093	1478496	1196103	1701901
Incl. Payments for salaries	1000428	1423481	1161237	1652291
Incl. Deductions from salaries	38665	55015	34866	49610
<b>Total Creditors:</b>	<b>30816870</b>	<b>43848456</b>	<b>35143884</b>	<b>50005242</b>



## 5. Taxes and security payments for 12 months of the year 2008

Tax Description	Balance as of 01.01.2008.		Recorded for year 2008		Paid or allocated to a different tax category for 12 months of 2008		Balances as of 31.12.2008.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Real estate tax	0	0	165904	236060	165904	236060	0	0
Land tax	0	0	53212	75714	55180	78514	-1968	-2800
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	0	0	1747160	2485985	1747160	2485985	0	0
Natural resources tax	23456	33375	78871	112223	88638	126121	13689	19478
Packing tax	-99	-141	0	0	0	0	-99	-141
Value added tax	0	0	21967	31256	21967	31256	0	0
<b>TOTAL</b>	<b>996246</b>	<b>1417530</b>	<b>13098362</b>	<b>18637290</b>	<b>13224140</b>	<b>18816256</b>	<b>870468</b>	<b>1238564</b>
Value added tax (VAT)	41	58	31129077	44292686	31115786	44273775	13332	18970
<b>TOTAL TAXES</b>	<b>996287</b>	<b>1417589</b>	<b>44227439</b>	<b>62929976</b>	<b>44339926</b>	<b>63090031</b>	<b>883800</b>	<b>1257534</b>

**ENCLOSURES TO PROFIT AND LOSS STATEMENT**

**6. Net turnover (revenue) by products for 12 months of the year 2008**

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
<b>TOTAL</b>	<b>256215399</b>	<b>364561669</b>	<b>221527583</b>	<b>315205353</b>

## 7. Net turnover by geographic markets for 12 months of the year 2008

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
<b>Total</b>	<b>256215399</b>	<b>364561669</b>	<b>221527583</b>	<b>315205353</b>

## 8. Production costs of sold goods for 12 months of the year 2008

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	30773604	43786894	24093758	34282329
<b>Total</b>	<b>233252013</b>	<b>331887714</b>	<b>190896741</b>	<b>271621592</b>

## 9. Sales costs for 12 months of year 2008

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	2080013	2959592	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)	290338	413114	528326	751740
Bank services	186435	265273	98655	140373
<b>Total</b>	<b>6874571</b>	<b>9781633</b>	<b>7020115</b>	<b>9988724</b>

## 10. Administration costs for 12 months of the year 2008

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	135698	193081	136255	193873
Other office supplies and office maintenance costs	1286971	1831195	1616004	2299367
Legal and auditing fees, translation	396027	563496	637724	907400
Presentation costs	197425	280910	197366	280827
Depreciation of fixed assets	569133	809803	424065	603390
Management 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
<b>Total</b>	<b>7392099</b>	<b>10518009</b>	<b>8095476</b>	<b>11518825</b>

### 11. Other operating income for 12 months of the year 2008

Income Description	For 12 months of year 2008		For 12 months of year 2007	
	LVL	EUR	LVL	EUR
Sale of current assets	1668658	2374286	1483009	2110132
Income from fixed assets sale	5027	7153	147237	209499
Income from fixed assets liquidation	12485	17765	19529	27787
Received fines	46582	66280	41952	59692
Written-off revaluation reserve of fixed assets	393044	559251	470297	669172
Income from fixed assets revaluation	0	0	372959	530673
Bad debt recovery	171732	244353	222698	316871
Other income from operating activity	1779478	2531969	1634607	2325836
Income due to a decrease in provisions	75430	107327	2987734	4251162
<b>Total</b>	<b>4152436</b>	<b>5908384</b>	<b>7380022</b>	<b>10500825</b>

**12. Other operating costs for 12 months of the year 2008**

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	44214	62911	374210	532453
Costs of reserve establishment	0	0	6772	9636
Provisions for bad debts	96	137	48681	69267
Doubtful debts write-off	155786	221664	291820	415222
Paid compensations and other benefits	336428	478694	301766	429374
Other costs	68671	97710	74344	105782
Paid fines	16941	24105	60991	86782
Costs not related to the operating activities	2448384	3483737	1996140	2840251
Costs of infrastructure maintenance	77197	109841	49005	69728
Training costs of the new staff	24292	34564	64744	92122
Costs of previous period	110928	157836	0	0
Costs of auto maintenance	46132	65640	0	0
<b>Total</b>	<b>4931168</b>	<b>7016420</b>	<b>4820458</b>	<b>6858894</b>

### 13. Interest income for 12 months of the year 2008

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	196895	280156	74173	105539
<b>Total Interest Income</b>	<b>205853</b>	<b>292902</b>	<b>221438</b>	<b>315078</b>