

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

Consolidated
Quarterly Report

For 6 months of the year 2007

CONTENT

General Information About the Company

Management Statement

Profit and Loss Statement

Balance Sheet

Cash Flow Statement

Statement of Changes in Shareholders' Equity

Enclosures to Balance Sheet

Enclosures to Profit and Loss Statement

Joint-Stock Company "Liepājas metalurģs"

Addendum to the Consolidated Report for 6 months of 2007

JSC "Liepājas metalurģs" is a public joint-stock company, which operates in compliance with the Republic of Latvia law. The Company was registered in the Business Register of the Republic of Latvia on August 6, 1991 and it was reregistered in the Commercial Register of the Republic of Latvia on August 7, 2003 under the unified register No. 40003014197. The main activities of the Company are production of steel, rolled products and hardware, commerce and mediator activity, transport services, sports and medical services.

JSC "Liepājas metalurģs" has an ownership in various companies. In 2006 the Company further diversified its holding investing in several new 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 - 91.63% |
| Business type - stevedoring services, cargo, ship broker service, ship agency. | |
| Ltd. "Football Hockey Club Liepājas metalurģs" | number of shares - 95% |
| Business type - organization of sporting events, promotion of healthy living, organization of recreation and social events. | |
| Ltd. "Olympic Center Ice-Hockey Hall Liepājas metalurģs" | number of shares - 90% |
| Business type - operation of the sport hall and stadium. | |
| Ltd. "Rūķis LM" | number of shares - 100% |
| Construction materials production, waste and crushed slag processing. | |

Companies not included in consolidation:

| | |
|--|-------------------------|
| Ltd. "SMA LM Mineral" | number of shares - 50% |
| JSC "Sātiņi LM" | number of shares - 100% |
| Ltd. "Elme-Messer-Metalurģs" | number of shares - 49% |
| JSC "Liepājas tranzīta ekspresis" | number of shares - 24% |
| Ltd. "Metalurģs and Duna" | number of shares - 50% |
| Sale of electricity and rentals of premises. | |

Minority shareholders

Minority shareholders of the companies involved in the consolidation are:

| | |
|--|---|
| LSEZ JSC "Liepājas osta LM" (Liepāja's Port LM) | 8.37% of shares - physical person |
| Ltd. "Football Hockey Club Liepājas metalurģs" | 5% of shares - Ltd. "Perle LM" |
| Ltd. "Olympic Center Ice-Hockey Hall Liepājas metalurģs" | 5% shares - Liepājas City Council 5% shares - Latvian Olympics Committee |
| Ltd. "Metalurģs and Duna" | 50% shares - physical person |

Basis for the Preparation of the Annual 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 Annual Reports for the same year and applying the same accounting principles.

The following **IFRS** have been used in the preparation of the consolidation:

| | |
|--------|---|
| IAS 1 | Preparation of the Annual 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 Annual Reports |
| IAS 39 | Financial Tools: Recognition and Valuation |

Profit and Loss Statement is prepared using the turnover method. Prior to the preparation of the consolidated Annual Report differences in the accounting methods used by the companies included in the consolidation were considered.

Any internal transactions between the companies that are a part of the consolidation were excluded.

In accordance with the changes in the legislation and the opinion of the management, in order to improve the comparability of the prepared Profit and Loss Statement and the Balance Sheet, the classification of items has been changed (items are combined) in the Profit and Loss Statement. "Extraordinary Income" and "Extraordinary Costs" are included in item "Other Income from the Operating Income" and "Other Operating Costs" are included in item "Other Operating Expenses. Balance Sheet item "Accrued Liabilities" (deferred tax, provisions for vacations) moved to item "Provisions" ("Savings").

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

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.

Profit and Loss report includes all income and expenses resulted from the accounting year regardless their payment date.

Values presented in the Annual Report and accounting are expressed in the Latvian national currency – Lat (LVL). The cash flow statement reflects cash and cash equivalents in the cash office, current bank account balances and short-term deposits.

Accounts receivable (debtors) are presented in the balance sheet by deducting specific provisions for bad and doubtful debts.

Accounts Receivables are reflected after the bad debt costs deduction.
The supplier and other debts (accounts receivables) are included in costs.

Joint-Stock Company “Liepājas Metalurgs” Management Statement Regarding the Consolidated Financial Statements for 6 months of 2007.

The Company operating activities in the first 6 months of the year resulted in LVL 8.1 million (approx. EUR 11.53 mill.) profit, which was LVL 4.0 million (approx. EUR 5.69 mill.) more than for the same period of 2006.

The Net Turnover reached LVL 129.3 million (approx. EUR 183.98 mill.), which was LVL 34.5 million (approx. EUR 49.09 mill.) more than for the same period of 2006.

The Company’s most significant activities included:

- The JSC “Liepājas metalurgs” continued its activities regarding the steel melting production practice and related to its modernization program coordination and financing; the modernization of the rolling mill “350”, by installing a new automated packing line.
- The Liepajas Special Economic Zone (LSEZ) JSC “Liepājas osta LM” (Liepāja’s Port LM) conducted investments in the cement transit terminal preparation and the railroad construction.
- Ltd. "Rūķis LM" commissioned a new concrete formation machine MULTIMAT RH600A, which would help to increase the current production volume by 2.5 times.
- Ltd. "Sports Club Liepājas metalurgs" and Ltd. "Olympic Center Ice-Hockey Hall Liepājas metalurgs" continued working with youth by involving them in sports – 26 teams from the Children and Youth Football Center were participating in the championships, local and international tournaments; the ice skating rink was open to the public; practice and training facilities were provided to the figure skaters of the Latvian National Team, amateur ice-hockey teams and to all teams of the “Sports Club Liepājas metalurgs”; also the Latvian Hockey Federation championships in all ages and among the professional teams were held. The top league football teams compete in the LMT Premier League Championship and the Baltic Cup Championship.

Joint-Stock Company "Liepājas metalurgs"
Chairman of the Board

V.Terentjev

Business Type: **Steel Production**

PROFIT AND LOSS STATEMENT (consolidated)

FOR 6 MONTHS OF THE YEAR 2007

| No. | Parameter designation | Enclosure Number | At the end of the report period LVL | At the end of the report period EUR | 6months 2006 LVL | 6 months 2006 EUR |
|-----|---|------------------|-------------------------------------|-------------------------------------|------------------|-------------------|
| 1 | 2 | | 3 | 4 | 5 | 6 |
| 1 | Net turnover | 3,4 | 129255358 | 183913805 | 94838306 | 134942752 |
| 2 | Production costs of goods sold | 5 | -99873444 | -142107108 | -76053490 | -108214367 |
| 3 | Gross profit or loss (from turnover) | | 29381914 | 41806697 | 18784816 | 26728385 |
| 4 | Sales costs | 6 | -7480415 | -10643672 | -7106983 | -10112326 |
| 5 | Administration costs | 7 | -4467059 | -6356052 | -4535144 | -6452929 |
| 6 | Other operating income | 8 | 1715541 | 2440995 | 2308670 | 3284941 |
| 7 | Other operating costs | 9 | -8280842 | -11782577 | -4632066 | -6590836 |
| 8 | Interest income and other similar income | | 39358 | 56001 | 12609 | 17941 |
| 9 | Interest payments and similar expenses | | -263085 | -374336 | -264541 | -376408 |
| 10 | Profit or loss before extraordinary items and taxes | | 10645412 | 15147057 | 4567361 | 6498769 |
| 11 | Income tax for the reporting period | | -2364820 | -3364836 | -331973 | -472355 |
| 12 | Deferred tax | | 0 | 0 | 0 | 0 |
| 13 | Other taxes | | -215512 | -306646 | -191250 | -272124 |
| 14 | Reporting period profit or loss after taxes for the consolidated financial statement | | 8065080 | 11475575 | 4044138 | 5754290 |
| 15 | Minority shareholders shares (-) | | -186201 | -264940 | 8982 | 12780 |
| 16 | Profit or loss after taxes of the report period | | 8251281 | 11740515 | 4035156 | 5741510 |

BALANCE SHEET (Consolidated)

FOR 6 MONTHS OF THE YEAR 2007

| ASSETS | Enclosure Number | 30.06.2007 LVL | 30.06.2007 EUR | 30.06.2006 LVL | 30.06.2006 EUR |
|--|---------------------|------------------|------------------|------------------|------------------|
| 1. LONG-TERM INVESTMENTS | | | | | |
| I. Intangible investments | | | | | |
| 1. Concessions, patents, licenses, trademarks and similar rights | | 0 | | 0 | 0 |
| 3. Other intangible assets | | 83135 | 118290 | 83631 | 118996 |
| 4. Goodwill | | 315960 | 449571 | 0 | |
| 5. Advance payments for intangible investments | | 4560 | 6488 | 0 | |
| I.TOTAL: | | 403655 | 574349 | 83631 | 118996 |
| II. Fixed assets | | | | | |
| 1. Land, buildings and constructions, and long-term sites | | 29019960 | 41291683 | 31722352 | 45136840 |
| 2. Long-term investments in rented fixed assets | | 4768686 | 6785229 | 4962458 | 7060942 |
| 3. Technological equipment and machinery | | 21984462 | 31281071 | 22178137 | 31556646 |
| 4. Other fixed assets and inventory | | 2483553 | 3533778 | 2008530 | 2857881 |
| 5. Fixed assets formation and costs of unfinished construction sites | | 4421170 | 6290758 | 7780430 | 11070555 |
| 6. Advance payments for fixed assets | | 2200811 | 3131472 | 1069398 | 1521616 |
| II. TOTAL: | | 64878642 | 92313991 | 69721305 | 99204479 |
| III. Investment properties | | | | | |
| 1. Investment properties | | 3718574 | 5291054 | 0 | 0 |
| IV. Long-term financial investments | | | | | |
| 1. Share in the capital of associated companies | | 608823 | 866277 | 566323 | 805805 |
| 2. Other loans | | 155590 | 221385 | 155263 | 220919 |
| IV. TOTAL: | | 764413 | 1087662 | 721586 | 1026724 |
| Section 1 total amount: | | 69765284 | 99267056 | 70526522 | 100350200 |
| 2. CURRENT ASSETS | | | | | |
| I. Stock (Inventories) | | | | | |
| 1. Raw materials, basic and auxiliary materials | | 11122445 | 15825813 | 10444846 | 14861677 |
| 2. Unfinished products, Work in Process | | 911391 | 1296793 | 425784 | 605836 |
| 3. Finished products and goods for sales | | 9784042 | 13921438 | 9362488 | 13321620 |
| 4. Incompleted orders | | 260 | 370 | 1085 | 1544 |
| 5. Advance payments for goods | | 1910477 | 2718364 | 1046472 | 1488996 |
| 6. Labour animals and productive animals | | 100 | 142 | 0 | 0 |
| I. TOTAL: | | 23728715 | 33762920 | 21280675 | 30279673 |
| II. Accounts receivable (Debtors) | | | | | |
| 1. Trade accounts receivable | | 10596110 | 15076906 | 11611158 | 16521189 |
| 2. Debt of associated enterprises | | 69253 | 98538 | 35077 | 49910 |
| 3. Other debtors (account receivable) | | 2560310 | 3642993 | 2062112 | 2934121 |
| 6. Short-term loans to co-owners and management of the company | | | 0 | 600 | 854 |
| 7. Prepaid expenses | | 140421 | 199801 | 151146 | 215061 |
| II.TOTAL: | 1 | 13366094 | 19018238 | 13860093 | 19721136 |
| III. Short-term financial investments | | | | 0 | 0 |
| III. TOTAL: | | | | 0 | 0 |
| IV. Cash | | 4450110 | 6331936 | 4469655 | 6359746 |
| IV. TOTAL: | | 4450110 | 6331936 | 4469655 | 6359746 |
| Section 2 total amount | | 41544919 | 59113094 | 39610423 | 56360554 |
| TOTAL ASSETS | | 111310203 | 158380150 | 110136945 | 156710754 |

| LIABILITIES | Enclosure Number | 30.06.2007 LVL | 30.06.2007 EUR | 30.06.2006 LVL | 30.06.2006 EUR |
|---|------------------|------------------|------------------|------------------|------------------|
| 1. EQUITY | | | | | |
| 1. Share capital (fixed capital) | | 16981033 | 24161833 | 16981033 | 24161833 |
| 2. Long-term investments revaluation reserve | | 25062721 | 35661039 | 25971909 | 36954697 |
| 3. Reserves: a) reserves stipulated by law | | 0 | 0 | | 0 |
| 3. Reserves: d) other reserves | | 21959004 | 31244848 | 12491727 | 17774126 |
| 3. TOTAL: | | 21959004 | 31244848 | 12491727 | 17774126 |
| 4. Retained earnings: a) undistributed profit from the previous years | | -182900 | -260243 | 121393 | 172727 |
| 5. Retained earnings: b) undistributed profit of the reporting year | | 8251281 | 11740515 | 4035156 | 5741510 |
| 5. Retained earnings: c) Minority shareholders | | -186201 | -264940 | 8982 | 12780 |
| 5. Retained earnings: b+c undistributed profit of the reporting year | | 8065080 | 11475575 | 4044138 | 5754290 |
| section 1. total amount: | | 71884938 | 102283052 | 59610200 | 84817673 |
| Minority shareholders | | 357074 | 508071 | 394221 | 560926 |
| | | | | | |
| 2. PROVISIONS | | | | | |
| 1. Provisions for anticipated taxes | | 1533629 | 2182157 | 935306 | 1330821 |
| 2. Other provisions | | 11931465 | 16976945 | 5280159 | 7512989 |
| section 2. total amount: | | 13465094 | 19159103 | 6215465 | 8843810 |
| 3. LIABILITIES (Accounts payable) | | | | | |
| I. Long-term Creditors (Accounts payable) | | | | | |
| 1. Loans from credit institutions | | 1298818 | 1848052 | 578241 | 822763 |
| 2. Other loans | | 272565 | 387825 | 95036 | 135224 |
| 3. Debts to suppliers and contractors | | 0 | 0 | 28827 | 41017 |
| 4. Other liabilities | | 719439 | 1023669 | 436783 | 621486 |
| I. TOTAL: | | 2290822 | 3259546 | 1138887 | 1620490 |
| II. Short-term Creditors (Accounts payable) | | | | | |
| 1. Loans from credit institutions | | 759266 | 1080338 | 9410751 | 13390292 |
| 2. Other loans | | 3504546 | 4986520 | 9581923 | 13633848 |
| 3. Advance payments received from customers | | 1245621 | 1772359 | 1211961 | 1724465 |
| 4. Suppliers and contractors trade account payable | | 14448441 | 20558279 | 20834418 | 29644706 |
| 5. Accrued liabilities (payable bills of exchange) | | 0 | 0 | | 0 |
| 6. Payable (debt) to associated companies | | 48783 | 69412 | 26350 | 37493 |
| 7. Taxes and state social insurance payments | | 2164860 | 3080318 | 776276 | 1104541 |
| 8. Other liabilities | | 1125612 | 1601602 | 921347 | 1310959 |
| 9. Deferred income | | 0 | 0 | 0 | 0 |
| 10. Unpaid dividends for previous years | | 15146 | 21551 | 15146 | 21551 |
| II. TOTAL: | | 23312275 | 33170379 | 42778172 | 60867855 |
| Section 3. total amount: | 2 | 25603097 | 36429925 | 43917059 | 62488345 |
| TOTAL LIABILITIES AND EQUITY | | 111310203 | 158380150 | 110136945 | 156710754 |

Chairman of the Board _____

V.Terentjev

JSC "Liepājas metalurģs"

**CASH FLOW STATEMENT (by direct method) (Consolidated)
for 6 Months of the year 2007**

| | Reporting year | | 6 months of the year 2006 | |
|--|-----------------|------------------|---------------------------|-----------------|
| | LVL | EUR | LVL | EUR |
| OPERATING CASH FLOW | | | | |
| Cash received from buyers | 127156076 | 180926796 | 102006798 | 145142597 |
| Cash received from other business activities | 846813 | 1204906 | 122854 | 174805 |
| VAT overpayment received | 5269803 | 7498254 | 6390148 | 9092361 |
| Cash paid to suppliers and employees | -112705969 | -160366146 | -95504992 | -135891361 |
| <i>Cash received from the core business activity</i> | <i>20566723</i> | <i>29263810</i> | <i>13014808</i> | <i>18518403</i> |
| Interest payment | -300100 | -427004 | -354417 | -504290 |
| Corporate income tax payments | -26798 | -38130 | -18198 | -25893 |
| Other tax payments | -7823061 | -11131213 | -4620935 | -6574998 |
| | | | | |
| Net cash flow from the core business activity | 12416764 | 17667463 | 8021258 | 11413222 |
| | | | | |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | |
| Acquisition of subsidiary company in net cash | 0 | 0 | 0 | 0 |
| Purchase of fixed assets | -3542484 | -5040501 | -5947279 | -8462216 |
| Sale of fixed assets and intangible assets | 80352 | 114331 | 21482 | 30566 |
| Long-term credit to students of JSC "LM" and other loans | -1261 | -1794 | -2306 | -3281 |
| Other loans granted | | 0 | -140000 | -199202 |
| Investments in related companies (subsidiaries) | -30000 | -42686 | -23500 | -33437 |
| Interests received from the loan | 112 | 159 | 171 | 243 |
| | | | | |
| Net cash flow from investment operations | -3493281 | -4970491 | -6091432 | -8667327 |
| | | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Short term borrowings, net value (credit line) | -8891413 | -12651341 | 77949 | 110911 |
| Long term borrowings | 364052 | 517999 | 250000 | 355718 |
| Paid liabilities for financial leasing | | 0 | | 0 |
| Loans to associated companies | -22000 | -31303 | -350000 | -498005 |
| Other long-term loans | -4565 | -6495 | 80145 | 114036 |
| Loan repayments | -138899 | -197635 | 460098 | 654660 |
| Repayment of loans and received interests | | 0 | 0 | |
| Other investments (sponsorship) | -243388 | -346310 | -350986 | -499408 |
| Subsidies | 233056 | 331609 | 769302 | 1094618 |
| | | | | |
| Net cash flow from financing activities | -8703157 | -12383477 | 936508 | 1332531 |
| | | | | |
| Result of foreign currency exchange rate fluctuations | 12342 | 17561 | -33995 | -48371 |
| | | | | |
| Net growth of cash and its equivalents | 232668 | 331057 | 2832339 | 4030055 |
| Cash and its equivalents at the beginning of accounting period | 4217442 | 6000879 | 1637316 | 2329691 |
| Cash and its equivalents at the end of accounting period | 4450110 | 6331936 | 4469655 | 6359746 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, LVL

| | Share capital | Share premium | Reserves stated by Statute | Other reserves | Retained Earnings of the reporting year | Retained Earnings of the previous years | Equity capital TOTAL |
|--|-----------------|-----------------|----------------------------|-----------------|---|---|----------------------|
| | LVL | LVL | LVL | LVL | LVL | LVL | LVL |
| As of 1.01.2006 | 16981033 | 26145842 | 346579 | 7987544 | 4015743 | 412493 | 55889234 |
| Profit in reserves | | | | 4157604 | -4015743 | -141861 | 0 |
| Undistributed profit of the reporting period | | | | | 9637520 | | 9637520 |
| Reserves distribution | | | -346579 | 346579 | | | 0 |
| Minority shareholders | | | | | | -270614 | -270614 |
| Increase of revaluation reserve | | | | | | | |
| Written-off revaluation reserve | | -798974 | | | | | -798974 |
| As of 31.12.2006 | 16981033 | 25346868 | 0 | 12491727 | 9637520 | 18 | 64457166 |
| Profit in reserves | | | | 9467277 | -9637520 | 170243 | 0 |
| Undistributed profit of the review period | | | | | 8065080 | | 8065080 |
| Minority shareholders | | | | | | -353161 | -353161 |
| Reserves distribution | | | | | | | 0 |
| Increase of revaluation reserve | | | | | | | |
| Written-off revaluation reserve | | -284147 | | | | | -284147 |
| As of 30.06.2007 | 16981033 | 25062721 | 0 | 21959004 | 8065080 | -182900 | 71884938 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR

| | Fixed capital | Revaluation reserve of long-term investments | Reserves stated by Statute | Other reserves | Undistributed profit of the report year | Undistributed profit of the previous years | Equity capital TOTAL |
|--|-----------------|--|----------------------------|-----------------|---|--|----------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| As of 01.01.2006 | 24161833 | 37202182 | 493137 | 11365251 | 5713888 | 586925 | 79523216 |
| Profit in reserves | | | | 5915738 | -5713888 | -201850 | 0 |
| Reserves distribution | | | -493137 | 493137 | | | 0 |
| Undistributed profit of the reporting period | | | | | 13712956 | | 13712956 |
| Minority shareholders | | | | | | -385049 | -385049 |
| Currency exchange rate fluctuation | | | | | | | 0 |
| Increase of revaluation reserve | | | | | | | 0 |
| Written-off revaluation reserve | | -1136838 | | | | | -1136838 |
| As of 31.12.2006 | 24161833 | 36065344 | 0 | 17774126 | 13712956 | 26 | 91714285 |
| Profit in reserves | | | | 13470722 | -13712956 | 242234 | 0 |
| Undistributed profit of the review period | | | | | 11475575 | | 11475575 |
| Currency exchange rate fluctuation | | | | | | | 0 |
| Minority shareholders | | | | | | -502503 | -502503 |
| Written-off revaluation reserve | | -404305 | | | | | -404305 |
| As of 30.06.2007 | 24161833 | 35661039 | 0 | 31244848 | 11475575 | -260243 | 102283052 |

1. Accounts Receivables (Debtors)

(Consolidated)

| Accounts Receivable | As of 30.06.2007 | | As of 30.06.2006 | |
|---|------------------|-----------------|------------------|-----------------|
| | LVL | EUR | LVL | EUR |
| Customers and affiliated companies' debts | 10665363 | 15175444 | 11646235 | 16571099 |
| Incl. Debts of buyers and customers | 7735424 | 11006517 | 4219683 | 6004068 |
| Incl. Debts of related enterprises (subsidiaries) | 0 | 0 | 0 | 0 |
| Incl. Debts of associated enterprises | 69253 | 98538 | 35077 | 49910 |
| Incl. Debts of buyers with factoring activities | 2860686 | 4070389 | 7391475 | 10517121 |
| | | | | |
| Other debtors | 2560310 | 3642993 | 2062112 | 2934121 |
| Incl. Provision for VAT and unpaid VAT | 201783 | 287111 | 226131 | 321755 |
| Incl. Advance payments | 25064 | 35663 | 34616 | 49254 |
| Incl. VAT budget overpayments | 2235699 | 3181113 | 1611663 | 2293190 |
| Incl. Various debtors | 72157 | 102670 | 140776 | 200306 |
| Incl. Overpaid salaries | 442 | 629 | 387 | 551 |
| Incl. Other overpaid taxes | 6057 | 8618 | 24717 | 35169 |
| Incl. Advance payments for services | 19108 | 27188 | 23822 | 33896 |
| | | | | |
| Short-term loans to employees | 0 | 0 | 600 | 854 |
| | | | | |
| Future periods payments | 140421 | 199801 | 151146 | 215061 |
| Incl. Press expenses | 7296 | 10381 | 4810 | 6844 |
| Incl. Property insurance | 34168 | 48617 | 40051 | 56987 |
| Incl. Payment for services | 75282 | 107117 | 76545 | 108914 |
| Incl. Various | 23675 | 33686 | 29740 | 42316 |
| Total Debtors: | 13366094 | 19018238 | 13860093 | 19721136 |

2. Accounts Payable (Creditors)

(Consolidated)

| CREDITORS | As of 30.06.2007 | | As of 30.06.2006 | |
|--|------------------|-----------------|------------------|-----------------|
| | LVL | EUR | LVL | EUR |
| Long- term creditors | 1298818 | 1848052 | 578241 | 822763 |
| Other long-term borrowings (non-resident legal entity) | 272565 | 387825 | 95036 | 135224 |
| Long-term debt to suppliers and contractors | 0 | 0 | 28827 | 41017 |
| Other long-term creditors | 719439 | 1023669 | 436783 | 621486 |
| Short-term borrowings from credit institutions | 759266 | 1080338 | 9410751 | 13390292 |
| Short term debt from leasing | 36497 | 51931 | 23759 | 33806 |
| Advance payments | 1245621 | 1772359 | 1211961 | 1724465 |
| Other borrowings (factoring) | 3468049 | 4934589 | 9558164 | 13600042 |
| Debts to suppliers and contractors | 14448441 | 20558279 | 20834418 | 29644706 |
| Incl. Materials and gas | 3686070 | 5244805 | 5106192 | 7265457 |
| Incl. Services | 2008161 | 2857356 | 1442160 | 2052009 |
| Incl. Scrap, various services related to scrap delivery, processing | 3043482 | 4330485 | 1659540 | 2361313 |
| Incl. Fixed assets | 107596 | 153095 | 262900 | 374073 |
| Incl. Medical department creditors | 1285 | 1828 | 2774 | 3947 |
| Incl. Settlements with enterprises and other business partners - non-residents | 5510873 | 7841266 | 12360852 | 17587908 |
| Incl. Other Creditors | 90974 | 129444 | 0 | 0 |
| Debts to related enterprises | 0 | 0 | 0 | 0 |
| Debts to related enterprises (subsidiaries) | 48783 | 69412 | 26350 | 37493 |
| Taxes and social security insurance payments | 2164860 | 3080318 | 776276 | 1104541 |
| Incl. State tax | 791 | 1125 | 868 | 1235 |
| Incl. Residents' Income tax | 432891 | 615948 | 340988 | 485182 |
| Incl. Real estate tax | 5292 | 7530 | 12099 | 17215 |
| Incl. Social Security tax | 413513 | 588376 | 399093 | 567858 |
| Incl. Packing tax | | 0 | 494 | 703 |
| Incl. Nature resources tax | 32837 | 46723 | 19698 | 28028 |
| Incl. Enterprise's Income tax | 1279530 | 1820607 | | 0 |
| Incl. Settlements with busines partners-non residents | | | 812 | 1155 |
| Incl. Value added tax | 6 | 9 | 2224 | 3164 |
| Other creditors (liabilities) | 1125612 | 1601602 | 921347 | 1310959 |
| Incl. Payments for salaries | 1091432 | 1552968 | 892947 | 1270549 |
| Incl. Deductions from salaries | 32394 | 46093 | 28133 | 40030 |
| Incl. Debt to accountable persons | 1786 | 2541 | 267 | 380 |
| Unpaid Dividends | 15146 | 21551 | 15146 | 21551 |
| Total Creditors: | 25603097 | 36429925 | 43917059 | 62488345 |

**3. Net turnover (revenue) by products
for 6 months of the year 2007
from consolidated Profit and Loss Statement**

| Product Description | For 6 months of year 2007 | | For 6 months of year 2006 | |
|------------------------------|---------------------------|------------------|---------------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Rolled steel | 119912693 | 170620391 | 85674029 | 121903161 |
| Wire | 567 | 807 | 1167526 | 1661240 |
| Nails | | 0 | 303449 | 431769 |
| Consumer goods | 18034 | 25660 | 5587 | 7950 |
| Castings | 1477887 | 2102844 | 1005058 | 1430069 |
| Services | 145686 | 207293 | 85806 | 122091 |
| Sold steam, gCal | 8552 | 12168 | 7905 | 11248 |
| Medical department | 476194 | 677563 | 367824 | 523366 |
| Transportation services | 51547 | 73345 | 18009 | 25624 |
| Slag | 0 | 0 | 142964 | 203419 |
| Stevedoring services | 1969148 | 2801845 | 1512431 | 2151995 |
| Broker services | 1041269 | 1481592 | 939705 | 1337080 |
| Freightage services | 963707 | 1371232 | 1359940 | 1935020 |
| Forwarder and other services | 2659101 | 3783560 | 2118807 | 3014791 |
| Sports | 105502 | 150116 | 109382 | 155637 |
| Beton (concrete) wares | 404008 | 574852 | | 0 |
| Other | 21463 | 30539 | 19884 | 28292 |
| TOTAL | 129255358 | 183913805 | 94838306 | 134942752 |

JSC "Liepājas metalurģs"

**4. Net turnover by geographic markets
for 6 months of the year 2007**

| Market | For 6 months of year 2007 | | For 6 months of year 2006 | |
|--------------------------|---------------------------|------------------|---------------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Latvia | 16292678 | 23182392 | 7834936 | 11148110 |
| Lithuania | 9393446 | 13365670 | 5063225 | 7204320 |
| Estonia | 3952595 | 5624036 | 2739567 | 3898053 |
| European Union countries | 76647258 | 109059223 | 54765331 | 77924046 |
| Russia | 14494801 | 20624244 | 1713609 | 2438246 |
| Other third countries | 8474580 | 12058241 | 22721638 | 32329978 |
| Total | 129255358 | 183913805 | 94838306 | 134942752 |

**5. Production costs of sold goods
for 6 months of the year 2007**

| Cost Description | 6 months for year 2007 | | 6 months for year 2006 | |
|---------------------------------|------------------------|------------------|------------------------|------------------|
| | LVL | EUR | LVL | EUR |
| Materials | 75641690 | 107628428 | 57434244 | 81721567 |
| Salaries and wages | 7286599 | 10367896 | 5380510 | 7655776 |
| Social benefits deduction | 1749716 | 2489622 | 1316199 | 1872782 |
| Energy resources | 8242337 | 11727789 | 6524581 | 9283642 |
| Depreciation | 3120032 | 4439406 | 2835674 | 4034801 |
| Other costs | 3816307 | 5430116 | 2562282 | 3645799 |
| Write-off of nonmaterial values | 16763 | 23852 | | 0 |
| Total | 99873444 | 142107108 | 76053490 | 108214367 |

**6. Sales expenses
for 6 months of the year 2007**

| Cost Description | For 6 months of year 2007 | | For 6 months of year 2006 | |
|---|---------------------------|-----------------|---------------------------|-----------------|
| | LVL | EUR | LVL | EUR |
| Packing materials | 81238 | 115591 | 77612 | 110432 |
| Transportation costs | 818248 | 1164262 | 416973 | 593299 |
| Freight | 233739 | 332581 | 358328 | 509855 |
| Port handling charges | 8830 | 12564 | 19016 | 27057 |
| Advertising and marketing costs | 26953 | 38351 | 35226 | 50122 |
| Other sales costs | 161088 | 229208 | 192125 | 273369 |
| Costs related to L/C and factoring transactions | 47989 | 68282 | 125925 | 179175 |
| Logistics services costs | 6102330 | 8682833 | 5881778 | 8369016 |
| Total | 7480415 | 10643672 | 7106983 | 10112326 |

**7. Administration expenses
for 6 months of the year 2007**

| Cost Description | For 6 months of year 2007 | | For 6 months of year 2006 | |
|--|---------------------------|----------------|---------------------------|----------------|
| | LVL | EUR | LVL | EUR |
| Salaries and social costs | 2943626 | 4188402 | 3317031 | 4719710 |
| Communication costs | 87311 | 124232 | 92954 | 132262 |
| Office supplies and office maintenance costs | 764869 | 1088311 | 560293 | 797225 |
| Legal and auditing fees | 304807 | 433701 | 167737 | 238668 |
| Presentation costs | 44796 | 63739 | 63339 | 90123 |
| Depreciation of fixed assets | 218998 | 311606 | 228838 | 325607 |
| Traveling expenses | 69031 | 98222 | 49616 | 70597 |
| Management training | 5795 | 8246 | 9154 | 13025 |
| Costs of bank account services | 18753 | 26683 | 40603 | 57773 |
| Costs related to stockholders | 5328 | 7581 | 1164 | 1656 |
| Operative leasing | 3745 | 5329 | 4415 | 6282 |
| Total | 4467059 | 6356052 | 4535144 | 6452929 |

**8. Other operating income
for 6 months of the year 2007**

| Income Description | 6 months of year 2007 | | 6 months of year 2006 | |
|---|-----------------------|----------------|-----------------------|----------------|
| | LVL | EUR | LVL | EUR |
| Sale of current assets | 667804 | 950199 | 660880 | 940348 |
| Transit cargo income | 0 | 0 | 8546 | 12160 |
| Sale of fixed assets and liquidation | 116411 | 165638 | 19435 | 27654 |
| Currency exchange income | 269372 | 383282 | 671782 | 955860 |
| Costs of reserve establishment | 0 | 0 | 0 | 0 |
| Written-off revaluation reserve of fixed assets | 211762 | 301310 | 101549 | 144491 |
| Bad debt recovery | 85220 | 121257 | 5 | 7 |
| Received fine payments | 9587 | 13641 | 7828 | 11138 |
| Dotation (allowance) | 233115 | 331693 | 772720 | 1099482 |
| Other income from operating activity | 122270 | 173975 | 65925 | 93803 |
| Total | 1715541 | 2440995 | 2308670 | 3284941 |

JSC "Liepājas metalurģs"

**9. Other operating costs
for 6 months of the year 2007**

| Cost Description | 6 months of year 2007 | | 6 months of year 2006 | |
|--|-----------------------|-----------------|-----------------------|-----------------|
| | LVL | EUR | LVL | EUR |
| Sales costs of current assets and transit cargo expenses | 410401 | 583948 | 568683 10243 | 809163 14574 |
| Costs related to the sale and liquidation of fixed assets | 90650 | 128983 | 83794 | 119228 |
| Currency exchange loss | 456258 | 649197 | 747083 | 1063003 |
| Costs of reserve establishment | 7000000 | 9960103 | 2400000 | 3414892 |
| Compensation for damage and other allowances | 208031 | 296001 | 255394 | 363393 |
| Paid fines | 16542 | 23537 | 58860 | 83750 |
| Costs of infrastructure maintenance | 11752 | 16722 | 17638 | 25097 |
| Other costs and sponsorship | 19188 | 27302 | 433778 | 617210 |
| Written-off bad debtors | 40348 | 57410 | | 0 |
| Other costs | 27672 | 39374 | 56594 | 80526 |
| Total | 8280842 | 11782577 | 4632067 | 6590838 |

**Information on the consolidated year balance for personnel expenses
year 2007 6 months**

| | JSC "Liepājas Metalurgs" | JSC "Liepājas osta LM" (Port) | Ltd. Football - hockey club | Ltd. "Olympic center ice - hockey hall" | JSC "Rūķis LM" | TOTAL in the consolidated annual report |
|--|--------------------------|-------------------------------|-----------------------------|---|----------------|---|
| 1. Average number of employees | | | | | | |
| 6 mo. 2007 | 2634 | 257 | 109 | 19 | 51 | 3070 |
| 6 mo. 2006 | 2741 | 241 | 100 | 19 | 0 | 3101 |
| 2. Personnel expenses, LVL, (including salaries and wages) | | | | | | |
| LVL 2007 | 7846403 | 622426 | 155998 | 34496 | 130159 | 8789482 |
| EUR 2007 | 11164426 | 885632 | 221965 | 49083 | 185200 | 1341881 |
| LVL 2006 | 6084392 | 496599 | 100674 | 26425 | 0 | 6708090 |
| EUR 2006 | 8657310 | 706597 | 143246 | 37599 | | 9544752 |
| 3. Average earning LVL | | | | | | |
| LVL 2007 | 496.48 | 403.65 | 238.53 | 302.60 | 425.00 | 477.17 |
| EUR 2007 | 706.43 | 574.34 | 339.40 | 430.56 | 604.72 | 678.95 |
| LVL 2006 | 369.96 | 343.40 | 167.79 | 231.80 | 0 | 360.53 |
| EUR 2006 | 526.41 | 488.61 | 238.74 | 329.82 | | 512.99 |

LVL to EUR currency exchange rate:

0.702804 (divide)