



***A/S Valmieras Stikla Skiedra***

***Independent Auditors' report and  
Statutory and International Financial Statements  
for the years ended 31 December 2000 and 1999***

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## A/S VALMIERAS STIKLA SKIEDRA

### ANCILLARY INFORMATION

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COMPANY NAME	A/S Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 000 303 167 Riga, 18 December 1996
ADDRESS	13 Cempu Street, Valmiera, LV-4201, Latvia
PARENT COMPANY NAME, ADDRESS AND EQUITY INTEREST (%)	P-D Glasseiden Oschatz GmbH (60.7%) Wellerswalder Weg 17 04758 Oschatz Bundesrepublik Deutschland
THE COMPANY BOARD	Chairman of the Board: Inars Polaks  Members of the Board: Wilfried Queißer Andris Brutans Imants Saulitis Berndt Preißler
THE COMPANY COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler  Members of the Council: Peter Köhler Andris Berzins Karlis Cerbulis Guntis Strazds
REPORTING PERIOD	1 January 2000 - 31 December 2000
AUDITORS AND ADDRESS	SIA Deloitte & Touche 2 Biskapa gate, Riga, LV-1050, Latvia  Irina Saksaganska Sworn Auditor Certificate No. 41

**MANAGEMENT REPORT**

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The Company's primary business is manufacturing of glass marbles, glass fiber and glass fiber products. The Company also is involved in activities related to servicing its primary operations, such as purchasing, processing and selling of precious metals, trading and barter operations, intermediation, export operations and other activities provided in the Company's charter.

In 2000, the Company's sales amounted to LVL'000 13,909 compared to LVL'000 13,334 in 1999 - an increase of LVL'000 575 or 4.3%. Compared to budget, sales increased by LVL'000 230 or 1.7%. The sales increase can be explained by the increase in sales of products with higher value-added, such as E-glass fabrics, high silica materials and rovings, as well as by P-D Glasseiden GmbH Oschatz investments in the Company that during the period from 1997 - 2000 totaled LVL'000 4,400 and the Company's own investments made in the amount of LVL'000 2,000.

The table below shows fiberglass products, which were produced in 2000 and their respective share of total fiberglass sales:

(1)	E-Glass fiber fabrics	26.3 %
(2)	Netting	18.3 %
(3)	E-Glass yarn	7.6 %
(4)	Beams for glass fiber fabrics	11.3 %
(5)	High silica products	14.5 %
(6)	Rovings	5.4 %
(7)	Glass marbles	3.7 %
(8)	Other	12.9 %

97 % of total sales were exports. The Company exported to 27 countries among them EU countries - 59.1%, Central and Eastern Europe - 25.6%, CIS - 1.3%, other - 14.0%.

In 2000, the Company incurred losses in the amount of LVL'000 80.1, mainly due to the depreciation of the DEM and EUR against the USD and LVL, effectively lowering the Company's sales after conversion into the reporting currency.

At period end, the Company's share capital amounted to LVL'000 14,534. In 2000 the Company increased its share capital by the amount of its parent company's, P-D Glasseiden GmbH Oschatz, investments in 1999, amounting to LVL'000 1,015.

In 2000, the parent company, P-D Glasseiden GmbH Oschatz, made investments into the Company in the amount of LVL'000 1,316. This investment will be converted to equity in 2001.

As at the year end, there are no overdue taxes payable to the state, municipalities or social security administration.

In 2000, total calculated taxes amounted to LVL'000 1,852; in the current year, the Company made tax payments or tax transfers amounting to LVL'000 1,969.

The Company has provisions for bad debts, unused vacations and deferred taxes.

In the current year, the Company employed 1,193 people. There was a reduction of employees in administration and the area of other services.

MANAGEMENT REPORT

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Manufacturing capacity development is dependent on investments made by the parent company, P-D Glasseiden GmbH Oschatz, profit reinvestment and a rational capital investment plan.

The largest investments in 2000 were made in a glass melting and fiber processing facility, a glass raw material manufacturing facility, texturizing machinery, a ring twister, and an x-ray spectrometer.

There have been no significant events that have occurred after year end but before the date of signing of these financial statements, which would have a material effect on this report.

In 2001, the Company plans additional investments in the amount of LVL'000 8,700. It is planned that LVL'000 7,500 will be funded by P-D Glasseiden GmbH Oschatz, and LVL'000 1,200 will be internally funded.

One focus area for the Company in 2001 will be construction of a non-intermediary glass fiber production facility, which is planned to be finished in September 2001. The new facility will enable the Company to increase manufacturing capacity and decrease costs. It is planned that sales will increase by ~20%.

In order to modernize the manufacturing process, the Company plans to increase production of textured products, chopped fiber, technical insulation materials, and to modernize several objects of technical infrastructure.

In 2001, the Company plans sales in the amount of LVL'000 15,300.



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Inars Polaks  
Chairman of the Board

## **INDEPENDENT AUDITORS' REPORT**

To the shareholders of A/S Valmieras Stikla Skiedra:

We have audited the accompanying balance sheet of A/S Valmieras Stikla Skiedra ("the Company") as of 31 December 2000 and the related statements of profit and loss, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Company's financial statements as of and for the year ended 31 December 1999 were audited by another auditor whose report dated 27 April 2000 expressed a qualified opinion in respect to these financial statements for an uncertainty as to whether certain expenses incurred were allowable expenses for corporate income tax purposes.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2000 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards and Latvian statutory requirements.

As discussed in Note 26 to the financial statements, the tax issue for which prior year auditors qualified their opinion was resolved in the Company's favor in 2001.



Deloitte & Touche  
Irina Saksaganska  
Sworn Auditor  
Certificate No. 41

Riga, Latvia  
15 March 2001

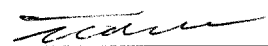
**A/S VALMIERAS STIKLA SKIEDRA**

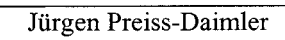
**BALANCE SHEETS  
AS OF 31 DECEMBER 2000 AND 1999**

	Notes	2000 LVL	1999 LVL
<b>ASSETS</b>			
<b>Intangible assets</b>			
Patents and licenses		289,761	515,137
<b>Total intangible assets</b>	3	<b>289,761</b>	<b>515,137</b>
<b>Fixed assets</b>			
Buildings		1,709,846	1,696,054
Equipment and machinery		3,164,167	2,361,863
Other fixed assets		407,050	270,279
Construction in progress		1,655,527	980,789
<b>Total fixed assets</b>	4	<b>6,936,590</b>	<b>5,308,985</b>
<b>Long term financial investments</b>			
Other securities and investments		-	15,271
<b>Total long term financial investments</b>		<b>-</b>	<b>15,271</b>
<b>Total non-current assets</b>		<b>7,226,351</b>	<b>5,839,393</b>
<b>Current assets</b>			
<b>Inventory</b>			
Raw materials		5,637,277	5,505,014
Work in process		1,171,224	1,521,526
Finished goods		774,922	977,535
Advance payments for goods		35,095	94,025
<b>Total inventory</b>		<b>7,618,518</b>	<b>8,098,100</b>
<b>Accounts receivable, net</b>			
Trade receivables, net	5	1,967,325	1,446,627
Other receivables, net	6	544,396	440,605
Deferred expenses	8	163,598	235,721
<b>Total accounts receivable, net</b>		<b>2,675,319</b>	<b>2,122,953</b>
Cash	9	559,089	870,287
<b>Total current assets</b>		<b>10,852,926</b>	<b>11,091,340</b>
<b>TOTAL ASSETS</b>		<b>18,079,277</b>	<b>16,930,733</b>

*The accompanying notes are an integral part of these financial statements.*

The financial statements were approved on the Company's behalf by:

  
Inars Polaks  
Chairman of the Board

  
Jürgen Preiss-Daimler  
Chairman of the Council

**A/S VALMIERAS STIKLA SKIEDRA**

**BALANCE SHEETS**

**AS OF 31 DECEMBER 2000 AND 1999**

	Notes	2000 LVL	1999 LVL
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	10	14,534,445	13,519,573
Reserves:			
statutory reserves		172,635	143,817
Retained earnings:			
a) retained earnings of prior years		699,047	299,999
b) current year (loss) profit		(80,143)	536,022
<b>Total shareholders' equity</b>		<b>15,325,984</b>	<b>14,499,411</b>
<b>Provisions</b>			
Deferred taxes		254,706	254,706
Other provisions		74,631	108,653
<b>Total provisions</b>	11	<b>329,337</b>	<b>363,359</b>
<b>Long term creditors</b>			
Convertible debt	12	1,316,436	1,014,872
<b>Total long term creditors</b>		<b>1,316,436</b>	<b>1,014,872</b>
<b>Short term creditors</b>			
Advance payments from customers		38,574	12,225
Trade payables		718,262	361,196
Taxes and social security payments	13	162,053	163,886
Other accounts payable	14	184,628	507,068
Deferred income		4,003	8,716
<b>Total short term creditors</b>		<b>1,107,520</b>	<b>1,053,091</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>18,079,277</b>	<b>16,930,733</b>

*The accompanying notes are an integral part of these financial statements.*

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Inars Polaks  
Chairman of the Board

Jürgen Preiss-Daimler  
Chairman of the Council




A/S VALMIERAS STIKLA SKIEDRA

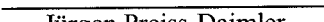
**STATEMENTS OF PROFIT AND LOSS  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

	Notes	2000 LVL	1999 LVL
Sales	15	13,909,458	13,333,532
Cost of sales	16	(11,741,967)	(9,974,275)
<b>Gross profit</b>		<b>2,167,491</b>	<b>3,359,257</b>
Selling expenses	17	(878,775)	(835,333)
Administrative expenses	18	(1,243,295)	(1,424,753)
Other operating income	19	101,462	126,602
Other operating expenses	20	(96,195)	(173,388)
<b>Income from operations</b>		<b>50,688</b>	<b>1,052,385</b>
Interest income and similar income		5,232	7,230
Interest expenses and similar expenses	21	(107,382)	(318,669)
<b>(Loss)/profit before taxes</b>		<b>(51,462)</b>	<b>740,946</b>
Corporate income tax	22	-	(158,398)
Other taxes	13	(28,681)	(46,526)
<b>Net (loss)/profit</b>		<b>(80,143)</b>	<b>536,022</b>
<b>Basic (loss) earnings per share</b>	23	<b>(0.0057)</b>	<b>0.0407</b>
<b>Diluted (loss) earnings per share</b>	23	<b>(0.0052)</b>	<b>0.0378</b>

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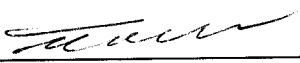
  
Jürgen Preiss-Daimler  
Chairman of the Council

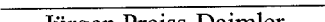
**STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

	Share capital LVL	Statutory reserves LVL	Retained earnings LVL	Total LVL
<b>31 December 1998</b>	<b>12,485,092</b>	<b>37,000</b>	<b>619,795</b>	<b>13,141,887</b>
Annual bonus to Board and Council	-	-	(25,702)	(25,702)
Dividends paid	-	-	(187,277)	(187,277)
Share emission	1,034,481	-	-	1,034,481
Transfer to reserves	-	106,817	(106,817)	-
Current year profit	-	-	536,022	536,022
<b>31 December 1999</b>	<b>13,519,573</b>	<b>143,817</b>	<b>836,021</b>	<b>14,499,411</b>
Share emission	1,014,872	-	-	1,014,872
Transfer to reserves	-	28,818	(28,818)	-
Dividends paid	-	-	(108,156)	(108,156)
Current year loss	-	-	(80,143)	(80,143)
<b>31 December 2000</b>	<b>14,534,445</b>	<b>172,635</b>	<b>618,904</b>	<b>15,325,984</b>

*The accompanying notes are an integral part of these financial statements.*

The financial statements were approved on the Company's behalf by:

  
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Chairman of the Board

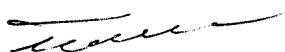
  
Jürgen Preiss-Daimler  
Chairman of the Council

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

	2000 LVL	1999 LVL
<b>OPERATING ACTIVITIES</b>		
Loss/profit before taxes	(51,462)	740,946
Adjustments:		
Fixed assets depreciation	1,205,345	1,050,358
Depletion of precious metals	323,011	337,400
Provisions for vacations	-	(5,382)
Provisions for annual bonus to Board and Council	-	30,502
Loss from disposal of fixed assets	6,110	10
Loss on sale of investment	9,933	-
Interest expense	12,015	38,517
Interest income	(5,233)	(5,986)
<b>Changes in operating assets and liabilities:</b>		
Annual bonus to Board and Council	-	(25,702)
Inventory	156,571	(622,389)
Accounts receivable	(550,116)	88,091
Accounts payable	(8,274)	(89,666)
<b>Cash provided by operating activities</b>	<b>1,097,900</b>	<b>1,536,699</b>
Interest paid, net	(6,782)	(32,531)
Corporate income tax	-	(95,597)
<b>Net cash provided by operating activities</b>	<b>1,091,118</b>	<b>1,408,571</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,147,219)	(1,247,569)
Proceeds from sale of fixed assets	315	252
Proceeds from sale / (purchase) of investments	5,338	(11,271)
<b>Net cash used in investing activities</b>	<b>(2,141,566)</b>	<b>(1,258,588)</b>
<b>FINANCING ACTIVITIES</b>		
Payments to Latvia Privatization Agency	-	(421,584)
Dividends paid	(108,156)	(187,277)
Convertible debt from parent company	847,406	108,141
<b>Net cash used in financing activities</b>	<b>739,250</b>	<b>(500,720)</b>
Net (decrease) in cash	(311,198)	(350,737)
Cash at the beginning of the year	870,287	1,221,024
<b>Cash at the end of the year</b>	<b>559,089</b>	<b>870,287</b>

*The accompanying notes are an integral part of these financial statements.*

The financial statements were approved on Company's behalf by:

  
 \_\_\_\_\_  
 Inars Polaks  
 Chairman of the Board

\_\_\_\_\_  
 Jürgen Preiss-Daimler  
 Chairman of the Council

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

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**1. GENERAL INFORMATION**

The Company is registered as a joint stock company in the Enterprise Register in the Republic of Latvia. The principal activities of the Company are production of fiber glass and fiber glass products.

**2. PRINCIPAL ACCOUNTING POLICIES*****Basis of preparation***

The financial statements have been prepared in accordance with Latvian statutory requirements and International Accounting Standards on the historical basis of accounting.

The accompanying financial statements are presented in the national currency of Latvia, the Lat ("LVL").

***Foreign currencies***

Transactions denominated in foreign currencies are translated into LVL at the official Bank of Latvia exchange rate on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. The applicable rate used for the principal currencies as of 31 December are as follows:

	<b>2000</b>	<b>1999</b>
USD	0.6130	0.5830
DEM	0.2915	0.3004
GBP	0.9170	0.9420
FRF	0.0869	0.0896
EUR	0.5700	0.5875
RUR	0.0216	0.0213

***Intangible assets***

Patents registered by the Company relate to specific products produced. The production run is estimated to last for 5 years and the capitalized cost is being written off over the same period using the straight line method of amortization as a portion of cost of sales.

***Fixed assets***

Fixed assets are stated at historical cost less accumulated depreciation.

Fixed assets depreciation is calculated using the asset's historical cost as the basis. Depreciation is calculated using the straight-line method using the following depreciation rates:

Buildings	6.7%
Equipment and machinery	10-25%
Vehicles and other fixed assets	10-40%

***Inventory***

Inventories are stated using the weighted average method of costing. Inventories are stated at the lower of cost and net realizable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

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***Platinum plates***

The balance sheet account "Raw materials" includes platinum plates that are used in the manufacturing process. The average technical depletion of these plates is 5% a year. The plates are used on average for one year before they are sent for replacement. Replaced plates are returned to the manufacturing process. The plates are stated at the cost of the metal from which they are made.

***Trade receivables***

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end.

***Cash***

Cash and cash equivalents include cash on hand, demand deposits with credit institutions and term deposits with credit institutions having a maturity of less than 3 months.

***Revenue recognition***

The Company recognizes revenue from product sales when it has shipped the goods. A significant portion of the Company's sales agreements are concluded with prices quoted in foreign currency. These amounts are converted to Latvian lats using the exchange rate of the Bank of Latvia on the date of shipment of the goods sold.

***Taxes***

Deferred taxation is provided on all temporary timing differences arising between the accounting and taxation treatment of income and expenses. The deferred taxation liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences arise from differing accounting and taxation depreciation rates of fixed assets and tax losses carried forward. Where an overall deferred taxation asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

***Provisions for vacations***

Provisions for vacations are calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year.

***Provisions for annual bonus to Board and Council***

Provisions for annual bonuses to Board and Council members are estimated based on bonus amounts approved at the annual shareholders' meeting. The bonuses are calculated as a percentage of the current year net profit.

***Fair value***

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

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Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where in the opinion of management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are disclosed in the notes to the financial statements.

***Related party transactions***

Transactions with related parties are conducted on terms, which materially approximate those of an arm's length transaction.

***Other accounting pronouncements***

IAS 39, which is effective for years beginning on or after 1 January 2001, establishes accounting and auditing standards for derivative financial instruments and for hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The accounting for changes in fair value of those derivatives (i.e. gain and losses) depends on the intended use of the derivatives and the resulting designation. The Company has not completed its analysis of the impact of this statement.

***Reclassification***

Certain amounts in the previous year financial statements have been reclassified for the purpose of compliance with the reporting format of the current year.

**3. INTANGIBLE ASSETS**

	<b>Patents and licenses LVL</b>
<b>HISTORICAL COST</b>	
<b>31 December 1998</b>	<b>1,178,348</b>
Additions	4,519
<b>31 December 1999</b>	<b>1,182,867</b>
Additions	11,278
<b>31 December 2000</b>	<b>1,194,145</b>
<b>ACCUMULATED DEPRECIATION</b>	
<b>31 December 1998</b>	<b>432,060</b>
Charge for the year	235,670
<b>31 December 1999</b>	<b>667,730</b>
Charge for the year	236,654
<b>31 December 2000</b>	<b>904,384</b>
<b>NET BOOK VALUE</b>	
<b>31 December 1999</b>	<b>515,137</b>
<b>31 December 2000</b>	<b>289,761</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999**

**4. FIXED ASSETS**

	<b>Buildings</b>	<b>Equipment and machinery</b>	<b>Other fixed assets</b>	<b>Construction in progress (CIP)</b>	<b>Total</b>
	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>
<b>HISTORICAL COST</b>					
<b>31 December 1998</b>	<b>1,973,174</b>	<b>1,973,826</b>	<b>342,023</b>	<b>713,822</b>	<b>5,002,845</b>
Additions	-	-	296,593	1,779,505	2,076,098
Disposals	-	(334)	(2,901)	-	(3,235)
Transfers from CIP	190,149	1,322,389	-	(1,512,538)	-
<b>31 December 1999</b>	<b>2,163,323</b>	<b>3,295,881</b>	<b>635,715</b>	<b>980,789</b>	<b>7,075,708</b>
Additions	-	-	149,537	2,453,184	2,602,721
Disposals	(4,000)	(309)	(8,217)	(2,250)	(14,776)
Transfers from CIP	157,357	1,402,709	216,130	(1,776,196)	-
<b>31 December 2000</b>	<b>2,316,680</b>	<b>4,698,281</b>	<b>993,165</b>	<b>1,655,527</b>	<b>9,663,653</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>31 December 1998</b>	<b>312,075</b>	<b>516,633</b>	<b>126,300</b>	<b>-</b>	<b>955,008</b>
Charge for the year	155,194	417,593	241,901	-	814,688
Disposals	-	(208)	(2,765)	-	(2,973)
<b>31 December 1999</b>	<b>467,269</b>	<b>934,018</b>	<b>365,436</b>	<b>-</b>	<b>1,766,723</b>
Charge for the year	139,565	600,357	228,769	-	968,691
Disposals	-	(261)	(8,090)	-	(8,351)
<b>31 December 2000</b>	<b>606,834</b>	<b>1,534,114</b>	<b>586,115</b>	<b>-</b>	<b>2,727,063</b>
<b>NET BOOK VALUE</b>					
<b>31 December 1999</b>	<b>1,696,054</b>	<b>2,361,863</b>	<b>270,279</b>	<b>980,789</b>	<b>5,308,985</b>
<b>31 December 2000</b>	<b>1,709,846</b>	<b>3,164,167</b>	<b>407,050</b>	<b>1,655,527</b>	<b>6,936,590</b>

The Company has an agreement for the leasing of land upon which its buildings are located covering a period of 25 years. This rent totaled LVL 11,292 in the current year and is included in cost of sales on the statement of profit and loss. The Company's buildings were in the process of being registered in the Land Register at the date of these financial statements.

Depreciation charge for 2000 and 1999 include write off of capitalized spare parts in use in the amount of LVL 133,465 and LVL 142,137 respectively.

**5. TRADE RECEIVABLES, NET**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Trade receivables	1,996,734	1,715,727
Provisions	(29,409)	(269,100)
	<b>1,967,325</b>	<b>1,446,627</b>

Trade receivables include amounts due from the parent company P-D Glasseiden Oschatz GmbH, in the amount of LVL 1,103,927 (1999: LVL 420,130). For all doubtful debts, the Company has provisions ranging from 50 - 100% based on the estimated realizable value of these debts.

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**6. OTHER RECEIVABLES, NET**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Corporate income tax (see Note 13)	258,258	229,130
VAT (see Note 13)	158,186	141,311
VAT for unpaid invoices	106,968	23,115
Excise tax (see Note 13)	3,662	1,956
Other receivables	57,397	63,575
Property tax (see Note 13)	-	2,124
Provisions	(40,075)	(20,606)
	<b>544,396</b>	<b>440,605</b>

**7. CHANGES IN PROVISIONS**

	<b>2000 LVL</b>
<b>Provisions as of 31 December 1998</b>	<b>204,699</b>
Increase in provisions	87,539
Decrease in provisions	(2,532)
<b>Provisions as of 31 December 1999</b>	<b>289,706</b>
Decrease in provisions	(220,222)
<b>Provisions as of 31 December 2000</b>	<b>69,484</b>

**8. DEFERRED EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Platinum plate replacement expenses	117,602	155,423
Other deferred expenses	45,996	80,298
	<b>163,598</b>	<b>235,721</b>

**9. CASH**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Cash on hand	9,846	11,213
Demand deposits	547,693	688,901
Term deposits	1,550	170,173
	<b>559,089</b>	<b>870,287</b>



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**10. SHARE CAPITAL**

The Company's registered and paid share capital as of 31 December 2000 was LVL 14,534,445 (1999: LVL 13,519,573) consisting of 14,528,695 (1999: 13,513,823) ordinary shares with voting rights and 5,750 (1999: 5,750) ordinary share without voting rights. The nominal value of the share is 1 LVL. In the current year, the Company increased share capital by LVL 1,014,872 (see note 12).

Dividends of LVL 108,156 on 1999 earnings (LVL 0.008 per share) were approved on 29 April 2000 for shareholders of record as of 15 May 2000. These dividends were paid in full on 19 May 2000. No dividends had been declared related to the result of operations for the year ended 31 December 2000 as of the date of these financial statements.

Shareholders of the Company:

	<b>2000</b>	<b>1999</b>
P-D Glasseiden Oschatz GmbH	60.7%	57.7%
NHC Development Partners LP	10.7%	8.9%
SIA P.D.P. Fiberglass Consulting	6.1%	6.6%
VAS VSAA	4.0%	4.5%
Merita Bank Ltd.	3.5%	0.7%
Other	15.0%	21.6%
	<b>100.0%</b>	<b>100.0%</b>

**11. PROVISIONS**

	<b>1999 LVL</b>	<b>Provision decrease LVL</b>	<b>2000 LVL</b>
Provision for deferred tax	254,706	-	254,706
Provision for unused employee vacations	78,151	(3,520)	74,631
Provision for bonus to Board and Council	30,502	(30,502)	-
	<b>363,359</b>	<b>(34,022)</b>	<b>329,337</b>

Calculation of deferred tax:

	<b>2000</b>		<b>1999</b>	
	<b>Temporary difference</b>	<b>Tax effect 25%</b>	<b>Temporary difference</b>	<b>Tax effect 25%</b>
Temporary difference on depreciation of fixed assets	1,717,427	429,357	1,127,477	281,869
Temporary difference on accruals	(74,631)	(18,658)	(108,653)	(27,163)
Tax loss carryforward	(623,966)	(155,991)	-	-
	<b>1,018,830</b>	<b>254,706</b>	<b>1,018,824</b>	<b>254,706</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. CONVERTIBLE DEBT**

The amount represents fixed asset and cash investments received from P-D Glasseiden Oschatz GmbH subject to capitalization in exchange for new shares issued in 2001. LVL 1,014,872 was capitalized in 2000 and the Company's share capital was increased accordingly. This debt is non-interest bearing.

**13. TAXES AND SOCIAL SECURITY PAYMENTS**

	<b>1999</b>		<b>Calculated</b>	<b>Transfers</b>	<b>Paid or returned from state</b>	<b>2000</b>	
	<b>Prepaid</b>	<b>Liability</b>				<b>Prepaid</b>	<b>Liability</b>
Corporate income tax	(229,130)	-	-	(118,121)	88,993	(258,258)	-
Natural resource tax	-	3,150	8,759	(3,150)	(6,772)	-	1,987
Property tax	(2,124)	-	22,312	-	(19,903)	-	285
Social security payments	-	98,640	1,070,106	(1,011,061)	(59,945)	-	97,740
Personal income tax	-	62,096	628,922	(61,901)	(567,076)	-	62,041
Land tax	-	-	6,369	-	(6,369)	-	-
Excise tax	(1,956)	-	-	-	(1,706)	(3,662)	-
VAT	(141,311)	-	(1,528,468)	1,214,604	296,989	(158,186)	-
	<b>(374,521)</b>	<b>163,886</b>	<b>208,000</b>	<b>20,371*</b>	<b>(275,789)</b>	<b>(420,106)</b>	<b>162,053</b>

\* VAT overpayment of LVL 20,371 was used for payment of tax debt owed by the football club "Valmiera". These expenses were included in the account "Sponsorship expenses".

**14. OTHER ACCOUNTS PAYABLE**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Salary	126,156	127,889
Due to Latvian Privatization Agency	-	358,347
Other	58,472	20,832
	<b>184,628</b>	<b>507,068</b>

**15. SALES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Local sales	415,269	235,499
Export sales:		
European Union	7,974,263	7,343,830
Central and Eastern Europe	3,459,353	4,126,772
CIS	176,462	142,883
Other	1,884,111	1,484,548
	<b>13,909,458</b>	<b>13,333,532</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. COST OF SALES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Raw materials	4,768,528	3,527,171
Salary	2,633,599	2,539,869
Services of subcontractors	1,764,264	1,654,160
Depreciation of fixed assets	768,219	585,504
Social security payments	676,745	676,012
Depreciation of platinum plates	447,094	413,233
Amortization of patents	236,654	235,670
Rent of platinum plates	65,745	11,593
Research and development	12,558	36,092
Other	368,561	294,971
	<b>11,741,967</b>	<b>9,974,275</b>

**17. SELLING EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Transportation	558,351	521,985
Advertising and marketing	248,687	263,139
Raw materials selling expenses	70,101	31,618
Other	1,636	18,591
	<b>878,775</b>	<b>835,333</b>

**18. ADMINISTRATIVE EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Salary	437,933	420,714
Office maintenance expenses	132,507	149,213
Business travel	121,021	121,777
Insurance	109,017	100,788
Social security payments	106,755	114,985
Depreciation of fixed assets	67,007	87,046
Communications expenses	56,010	51,102
Professional services	33,801	36,809
Representation expenses	29,950	87,539
Provisions for doubtful debts	-	33,626
Other	149,294	221,154
	<b>1,243,295</b>	<b>1,424,753</b>

Average number of employees employed in 2000 was 1,193 (1999: 1,192).

**NOTES TO THE FINANCIAL STATEMENTS  
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**19. OTHER OPERATING INCOME**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Sale of raw materials	78,616	21,762
Insurance compensation	783	61
Profit from sale of fixed assets	333	252
Received tax discounts and loss compensation	-	51,063
Other	21,730	53,464
	<b>101,462</b>	<b>126,602</b>

**20. OTHER OPERATING EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Donations	50,407	98,551
Compensation to employees	32,234	47,082
Loss from sale of securities	9,683	-
Other	3,871	27,755
	<b>96,195</b>	<b>173,388</b>

**21. INTEREST EXPENSES AND SIMILAR EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Net foreign exchange revaluation result	86,249	279,829
Interest expenses	12,015	38,517
Penalties paid	9,118	323
	<b>107,382</b>	<b>318,669</b>

**22. CORPORATE INCOME TAX**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Current year corporate income tax	-	82,873
Adjustments due to prior year taxed items	-	(49,003)
Deferred tax (see Note 11)	-	124,528
	<b>-</b>	<b>158,398</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. EARNINGS PER SHARE**

	<b>2000 LVL</b>	<b>1999 LVL</b>
<b>Basic earnings per share</b>		
Average number of shares outstanding	14,147,959	13,177,783
Current year (loss) profit	(80,143)	536,022
<b>Basic (loss) earnings per share</b>	<b>(0.0057)</b>	<b>0.0407</b>
<b>Diluted earnings per share</b>		
Average number of shares outstanding	14,147,959	13,177,783
Convertible debt	1,316,436	1,014,872
<b>Total average number of shares outstanding</b>	<b>15,464,395</b>	<b>14,192,655</b>
Current year (loss) profit	(80,143)	536,022
<b>Diluted (loss) earnings per share</b>	<b>(0.0052)</b>	<b>0.0378</b>

**24. MANAGEMENT COMPENSATION EXPENSES**

	<b>2000 LVL</b>	<b>1999 LVL</b>
Members of the Board:		
Salary	85,213	84,579
Social security payments	16,332	16,333
Members of the Council:		
Salary	38,220	40,351
Social security payments	9,917	11,011
Other management:		
Salary	40,586	41,059
Social security payments	9,901	11,247
	<b>200,169</b>	<b>204,580</b>

**25. RELATED PARTY TRANSACTIONS**

	<b>Fixed assets LVL</b>	<b>Accounts receivable LVL</b>	<b>Inventory LVL</b>	<b>Accounts payable LVL</b>	<b>Income LVL</b>
P-D Glasseiden Oschatz GmbH	155,096	1,103,927	757,234	123,701	7,107,801

The Company also incurred intercompany expenses in the amount of LVL 41,181. Expenses related to travel of board members and management amounted to LVL 28,490.

**NOTES TO THE FINANCIAL STATEMENTS  
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**26. SUBSEQUENT EVENTS**

The previous auditors of the Company qualified their opinion and included a note in the prior year financial statements addressing certain uncertainties related to allowable expenses for purposes of calculating corporate income taxes.

In 2001, the Company received a written ruling from the State Revenue Service recognizing the propriety of the inclusion of the above mentioned expenses for calculation of corporate income taxes. As such, no changes are needed to current or prior year financial statements as a result of the resolution of this issue.

During February 2001, the Company signed an agreement with PBLC, prime contractor for the Company's new glass fiber production facility currently under construction, in the amount of LVL 35,000 for equipment installation management and supervision services. According to this agreement, the work must be completed by September 2001.

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