



A/S Valmieras Stikla Skiedra

*2003 Annual report prepared in
accordance with Latvian statutory requirements
and International Financial Reporting Standards
and Independent Auditors' Report*

TABLE OF CONTENTS

	PAGE
ANCILLARY INFORMATION	3
MANAGEMENT REPORT	4
INDEPENDENT AUDITORS' REPORT	5
FINANCIAL STATEMENTS:	
BALANCE SHEETS	6 - 7
STATEMENTS OF PROFIT AND LOSS	8
STATEMENTS OF SHAREHOLDERS' EQUITY	9
STATEMENTS OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 24

A/S VALMIERAS STIKLA SKIEDRA

ANCILLARY INFORMATION

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 000303167 Riga, 18 December 1996
TYPE OF BUSINESS	Production of glass fiber products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
THE BOARD	Chairman of the Board: Andris Oskars Brutāns, president (from 17.05.2003) Inārs Poļaks (till 17.05.2003) Members of the Board: Andre Heinz Schwiontek, vicepresident (from 17.05.2003) Wilfried Queißer Andris Oskars Brutāns (till 17.05.2003) Karl Heinz Will (from 17.05.2003) Imants Saulītis Berndt Preißler Friedhelm Schwender (from 17.05.2003)
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Inārs Poļaks (from 17.05.2003) Peter Köhler (till 17.05.2003) Andris Bērziņš Hans Peter Cordts Guntis Strazds
REPORTING YEAR	1 January 2003 - 31 December 2003
PRIOR REPORTING YEAR	1 January 2002 - 31 December 2002
AUDITORS AND THEIR ADDRESSES	Deloitte & Touche Audits Ltd. License no. 43 1 Doma square (legal address) 2 Biskapa gate (mailing address), Riga, LV-1050, Latvia Irina Saksaganska Sworn Auditor Certificate no. 41 ID code: 010857-11631

MANAGEMENT REPORT

The Company's primary business is the manufacture and sale of glass marbles, fiberglass and fiberglass products. The Company is also involved in activities related to servicing its primary operations, such as trading and barter operations, intermediation, export operations and other activities provided in the Company's charter.

In 2003, the Company's sales amounted to LVL 19,854,884 compared to LVL 17,954,314 in 2002 - an increase of LVL 1,900,570 or 11%. Compared to budget, sales increased by LVL 513,684 or 2.7%. The sales increase can be explained by the increase in turnover of investments during the privatization process including the successful implementation of one-stage fiberglass production, new product development, improvement of production and sales process, and a favorable exchange rate for exports.

The table below shows the fiberglass products, which were produced in 2003, and their respective share of total fiberglass sales:

1.	Fiberglass nets and rovings	45%
2.	Fiberglass fabrics	44%
3.	Other	11%

97% of total sales were exports. The Company exported to 28 countries of which EU countries constituted 68%, Central and Eastern Europe – 8% and others – 24%.

The profit for 2003 was LVL 862,588. As at 31 December 2003, the Company's share capital amounted to LVL 23,903,205.

The Company has made provisions for doubtful debts, for vacations and deferred tax.

There was an increase in stock of finished product of LVL 364,314 and an increase in the unfinished production balance of LVL 233,042 in comparison with 2002. The increase in finished production is explained by the rise in turnover. Due to the increase in turnover and the change in sales mix there are significant balances of finished goods. The increase in turnover has led to a proportional increase in stock.

As of 31 December 2003, the Company had 993 employees. There was a reduction in the number of employees in administration and those contracted for maintenance works.

The investments in specific power elements were made to increase the manufacturing capacity by installing additional higher capacity equipment for glass fiber fabric treatment.

The largest investments in 2003 were made in a direct melt facility, including a batch preparation shop, a glass furnace, fiberglass-drawing facilities, a shop used for manufacturing fiberglass, texturing and twisting machines as well as a waste water and waste gas processing plant.

No subsequent events have had any significant effects on the financial statements.

In 2004, the Company plans to focus on increasing manufacturing volume, decreasing costs, improving work administration, the development of new products, the optimization of the number of employees and searching for new markets.

The Company's budgeted sales for 2004 are LVL 22,319,000, net profit are LVL 1,396,000.

Andris Oskars Brutāns
Chairman of the Board

INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the shareholders of Valmieras Stikla Skiedra AS:

We have audited the accompanying financial statements of Valmieras Stikla Skiedra AS ("the Company") for the years ended 31 December 2003 and 2002, which are presented on pages 6 to 24. The audited financial statements include the balance sheets as of 31 December 2003 and 2002 and the related statements of profit and loss, cash flows and changes in equity for the years ended 31 December 2003 and 2002. 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 audits.

We conducted our audits in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statements presentation. We believe that our audits provide 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 2003 and 2002, and the results of its operations, cash flows and changes in equity for the years ended 31 December 2003 and 2002 in accordance with International Financial Reporting Standards and the Latvian law "On the Annual Reports of Enterprises".

Deloitte & Touche Audits Ltd.
Licence no. 43

Ian Dent
Audit Director
Identity no. 051262 -14673

Irina Saksaganska
Sworn Auditor
Certificate no. 41
Identity no. 010857-11631

Riga, Latvia
06 April 2004

A/S VALMIERAS STIKLA SKIEDRA

**BALANCE SHEETS
AS OF 31 DECEMBER 2003 AND 2002**

	Notes	2003 LVL	2002 LVL
ASSETS			
Non – current assets			
Intangible assets			
Patents and licenses		24,655	9,260
Other intangible assets		793,163	1,065,105
Total intangible assets	3	817,818	1,074,365
Fixed assets			
Buildings		3,990,998	3,853,758
Equipment and machinery		9,261,656	9,113,619
Other fixed assets		484,430	340,732
Construction in progress		817,586	213,671
Advance payments for fixed assets		23,045	136,088
Total fixed assets	4	14,577,715	13,657,868
Total non-current assets		15,395,533	14,732,233
Current assets			
Inventory			
Raw materials		5,819,058	5,617,078
Work in process		1,143,885	910,843
Finished goods		2,471,042	2,106,728
Advance payments for goods		168,986	40,490
Total inventory		9,602,971	8,675,139
Accounts receivable			
Due from related parties	5	2,445,262	2,667,840
Other receivables	6	225,059	208,354
Deferred expenses	8	160,784	277,410
Total accounts receivable		2,831,105	3,153,604
Cash	9	677,880	971,635
Total current assets		13,111,956	12,800,378
TOTAL ASSETS		28,507,489	27,532,611

The accompanying notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements were signed on 6 April 2004 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

A/S VALMIERAS STIKLA SKIEDRA

**BALANCE SHEETS
AS OF 31 DECEMBER 2003 AND 2002**

	Notes	2003 LVL	2002 LVL
LIABILITIES & SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	10	23,903,205	23,903,205
Reserves:			
statutory reserves		234,533	192,449
Retained earnings:			
a) retained earnings		1,211,179	889,649
b) current year profit		862,588	841,678
Total shareholders' equity		26,211,505	25,826,981
Provisions			
Deferred tax		673,310	454,663
Other provisions		66,269	75,681
Total provisions	11	739,579	530,344
Current liabilities			
Bank loan	12	13,579	-
Other loans		-	54,900
Lease obligations	13	-	4,611
Advance payments from customers		30,147	19,765
Trade payables	14	870,090	738,915
Taxes and social security payments	15	189,145	192,675
Other accounts payable	16	186,837	164,420
Derivative financial instruments	17	266,607	-
Total current liabilities		1,556,405	1,175,286
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		28,507,489	27,532,611

The accompanying notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements were signed on 6 April 2004 by:

Andris Oskars Brutāns
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 2003 AND 2002**

	Notes	2003 LVL	2002 LVL
Sales	18	19,854,884	17,954,314
Change in inventory value		598,397	226,095
Other operating income	19	168,242	174,449
Material expenses	20	(8,582,665)	(7,279,450)
Personnel expenses	21	(4,292,431)	(4,205,148)
Depreciation and amortization	22	(2,247,483)	(2,056,634)
Other operating expenses	23	(4,109,730)	(3,876,089)
Profit from operations		1,389,214	937,537
Interest income and similar income	24	14,343	49,987
Interest expense and similar expenses	25	(322,322)	(39,930)
Profit before taxes		1,081,235	947,594
Corporate income tax	26	(218,647)	(105,916)
Net profit		862,588	841,678
Basic earnings per share	27	0.0361	0.0352

The accompanying notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements were signed on 6 April 2004 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

A/S VALMIERAS STIKLA SKIEDRA**STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

	Share capital LVL	Statutory reserves LVL	Retained earnings LVL	Total LVL
As of 31 December 2001	23,903,205	172,635	981,172	25,057,012
Transfer to reserves	-	19,814	(19,814)	-
Dividends paid	-	-	(71,709)	(71,709)
Current year profit	-	-	841,678	841,678
As of 31 December 2002	23,903,205	192,449	1,731,327	25,826,981
Transfer to reserves	-	42,084	(42,084)	-
Dividends paid	-	-	(478,064)	(478,064)
Current year profit	-	-	862,588	862,588
As of 31 December 2003	<u>23,903,205</u>	<u>234,533</u>	<u>2,073,767</u>	<u>26,211,505</u>

The financial statements were signed on 6 April 2004 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

A/S VALMIERAS STIKLA SKIEDRA

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

	2003	2002
	LVL	LVL
OPERATING ACTIVITIES		
Profit before taxes	1,081,235	947,594
Adjustments:		
Depreciation and amortization		2,056,634
	2,247,483	
Depletion of precious metals	139,322	174,924
Provisions for vacations	(9,412)	(3,412)
Loss from disposal of fixed assets	(15,781)	6,054
Changes in value of derivative financial instruments	266,607	-
Interest income	(3,042)	(2,026)
Interest expense	11,794	39,804
Changes in operating assets and liabilities:		
Inventory	(1,067,154)	(116,000)
Accounts receivable	322,499	(228,507)
Accounts payable	119,123	(396,175)
Cash provided by operating activities	3,092,674	2,478,890
Interest paid, net	(8,752)	(34,608)
Net cash provided by operating activities	3,083,922	2,444,282
INVESTING ACTIVITIES		
Purchase of fixed assets	(2,920,782)	(1,141,539)
Proceeds from sale of fixed assets	25,780	3,700
Net cash used in investing activities	(2,895,002)	(1,137,839)
FINANCING ACTIVITIES		
Other loans	-	54,900
Credit line	-	(486,537)
Finance lease	(4,611)	(3,512)
Dividends paid	(478,064)	(71,709)
Net cash used in financing activities	(482,675)	(506,858)
Net (decrease) / increase in cash	(293,755)	799,585
Cash at the beginning of the year	971,635	172,050
Cash at the end of the year	677,880	971,635

The financial statements were signed on 6 April 2004 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

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 the production of fiberglass and fiberglass products.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the law of the Republic of Latvia, International Financial Reporting Standards (IFRS) and the Company's articles of association. The financial statements have been prepared on the basis of accounting data in accordance with the legislation of the Republic of Latvia. The financial statements have been prepared on the historical cost accounting basis.

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:

	2003	2002
EUR	0.6740	0.6100
GBP	0.9600	0.9460
RUR	0.0184	0.0187
SEK	0.0740	0.0668
USD	0.5410	0.5940

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 written off over the same period using the straight line method of amortization as a portion of cost of sales.

Other intangible assets include intellectual know how for a direct melt facility put into operation in 2001. Know-how is amortized over 5 years using the straight-line method. The recorded historical cost of this know-how was established by an appraisal by an independent valuation specialist.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation.

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

Buildings	5-6.7%
Equipment and machinery	10-25%
Vehicles and other fixed assets	10-40%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Where necessary, provision is made for obsolete, slow moving and defective stock.

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 in 2003 was 2.5% based on historical information. The plates are used on average from 200 to 540 days before being sent for replacement. Replaced plates are returned to the manufacturing process. The plates are stated at the lower of the cost of the metal from which they are made or net realizable value

Cash

Cash and cash equivalents include cash on hand and demand deposits with credit institutions.

Revenue recognition

The Company recognizes revenue from product sales when goods have been shipped. A significant portion of the Company's sales agreements are concluded with prices quoted in foreign currencies. 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.

Commissions

When cash is received from the direct consumer of the goods, the commission expense is determined, therefore commission is recognized at the moment cash is received.

Taxation

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 the 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Derivative financial instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognized in the income statement as they arise.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are stated at their nominal value.

Fair value

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 the management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are accounted for and disclosed in the notes to the financial statements.

Related party transactions

Related parties are persons with the participation share of one undertaking in the other undertaking is from 20 to 50 per cent, moreover, this undertaking does not have the majority of votes. Transactions with related parties are conducted on terms, which in the opinion of the management materially approximate commercial terms and conditions.

Reclassification

Certain amounts in the previous year's financial statements have been reclassified to conform with the current year presentation.

Use of estimates

International Financial Reporting Standards and the legislation of the Republic of Latvia require that in preparing the financial statements, the management of the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

3. INTANGIBLE ASSETS

	Patents and licenses LVL	Other intangible assets LVL	Total LVL
HISTORICAL COST			
As of 31 December 2001	1,194,145	1,359,709	2,553,854
Additions	793	-	793
As of 31 December 2002	1,194,938	1,359,709	2,554,647
Additions	19,818	-	19,818
As of 31 December 2003	1,214,756	1,359,709	2,574,465
ACCUMULATED AMORTISATION			
As of 31 December 2001	1,180,649	22,662	1,203,311
Charge for the year	5,029	271,942	276,971
As of 31 December 2002	1,185,678	294,604	1,480,282
Charge for the year	4,423	271,942	276,365
As of 31 December 2003	1,190,101	566,546	1,756,647
NET BOOK VALUE			
As of 31 December 2002	9,260	1,065,105	1,074,365
As of 31 December 2003	24,655	793,163	817,818

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**
4. FIXED ASSETS

	Buildings	Equipment and machinery	Other fixed assets	Construction in progress (CIP)	Advance payments for fixed assets	Total
	LVL	LVL	LVL	LVL	LVL	LVL
HISTORICAL COST						
As of 31 December 2001	4,338,686	11,911,110	1,184,301	695,766	11,823	18,141,686
Additions	-	-	92,409	924,072	124,265	1,140,746
Disposals	-	(58,078)	(7,731)	-	-	(65,809)
Moved to inventory	-	-	-	(1,017)	-	(1,017)
Transfers	590,854	705,937	108,359	(1,405,150)	-	-
As of 31 December 2002	4,929,540	12,558,969	1,377,338	213,671	136,088	19,215,606
Additions	-	-	256,412	2,166,677	477,875	2,900,964
Disposals	(3,857)	(52,135)	(21,338)	-	-	(77,330)
Transfers	463,684	1,508,559	181,437	(1,562,762)	(590,918)	-
As of 31 December 2003	5,389,367	14,015,393	1,793,849	817,586	23,045	22,039,240
ACCUMULATED DEPRECIATION						
As of 31 December 2001	780,757	2,239,918	813,455	-	-	3,834,130
Charge for the year	295,025	1,253,756	230,882	-	-	1,779,663
Disposals	-	(48,324)	(7,731)	-	-	(56,055)
As of 31 December 2002	1,075,782	3,445,350	1,036,606	-	-	5,557,738
Charge for the year	325,284	1,351,803	294,031	-	-	1,971,118
Disposals	(2,697)	(43,416)	(21,218)	-	-	(67,331)
As of 31 December 2003	1,398,369	4,753,737	1,309,419	-	-	7,461,525
NET BOOK VALUE						
As of 31 December 2002	3,853,758	9,113,619	340,732	213,671	136,088	13,657,868
As of 31 December 2003	3,990,998	9,261,656	484,430	817,586	23,045	14,577,715

The registered cadastral value of property owned by the Company's as at 31 December 2003 and 2002 was LVL 2,414,963.

In accordance with commercial pledge Agreement No. 01-009379-KR/1 the Company has pledged all fixed assets recorded in the balance sheet line "Equipment and machinery" except for one stage production unit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**
5. TRADE RECEIVABLES

	2003	2002
	LVL	LVL
P-D Glasseiden Oschatz GmbH	1,933,79	1,910,957
P-D aitec GmbH	20,665	-
VITRULAN Textilglas GmbH	10,629	22,816
Other trade receivables	652,091	903,659
Provisions for doubtful debts	(171,916)	(169,592)
Total	<u>2,445,262</u>	<u>2,667,840</u>

For all doubtful debts, the Company made provisions ranging from 50 - 100% based on the estimated realizable value of these debts.

6. OTHER RECEIVABLES

	2003	2002
	LVL	LVL
VAT (see Note 17)	162,538	150,363
VAT on unpaid invoices	50,761	47,760
Other receivables	41,644	51,920
Provisions for doubtful debts	(29,884)	(41,689)
Total	<u>225,059</u>	<u>208,354</u>

7. CHANGES IN PROVISIONS FOR DOUBTFUL DEBTS

	LVL
Provisions as of 31 December 2000	61,592
Decrease due to debt collection	(8,359)
Increase in provisions (see Note 23)	157,459
Foreign currency exchange rate fluctuations	589
Provisions as of 31 December 2002	<u>211,281</u>
Decrease due to debt collection	(35,172)
Increase in provisions (see Note 23)	24,611
Foreign currency exchange rate fluctuations	1,080
Provisions as of 31 December 2003	<u>201,800</u>

8. DEFERRED EXPENSES

	2003	2002
	LVL	LVL
Platinum plate replacement expenses	122,865	158,021
Other deferred expenses	37,919	119,389
Total	<u>160,784</u>	<u>277,410</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

9. CASH

	2003 LVL	2002 LVL
Cash at bank	671,151	965,745
Cash on hand	<u>6,729</u>	<u>5,890</u>
Total	<u>677,880</u>	<u>971,635</u>

10. SHARE CAPITAL

The Company's registered share capital as of 31 December 2003 and 2002 was LVL 23,903,205. The Company's paid share capital registered with the Enterprise Register as of 31 December 2003 and 2002 was LVL 23,903,205 consisting of 23,897,455 ordinary shares with voting rights and 5,750 ordinary shares without voting rights. The nominal value of each share is LVL 1.

As of 31 December 2003 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2003	2002
P-D Glasseiden Oschatz GmbH	45.3%	21.1%
Vitrulan Textilglas GmbH	30.8%	30.8%
NCH Development Partners L.P.	8.5%	8.5%
SIA P.D.P. Fiberglass Consulting	4.6%	28.8%
Nordea Bank Finland Plc	2.8%	2.8%
VAS VSAA	2.4%	2.4%
Other	<u>5.6%</u>	<u>5.6%</u>
	<u>100.0%</u>	<u>100.0%</u>

11. PROVISIONS

	2002 LVL	Provision increase / (decrease) LVL	2003 LVL
Provision for deferred tax (see Note 26)	454,663	218,647	673,310
Provision for vacations	<u>75,681</u>	<u>(9,412)</u>	<u>66,269</u>
Total	<u>530,344</u>	<u>209,235</u>	<u>739,579</u>

12. BANK LOAN

On 2 April 2002 the Company signed a credit line agreement in the amount of LVL 300,000 with Hansabank to increase working capital. The credit line bears interest of 3.95%.

On 14 August 2003 the term of the credit line was extended to 7 August 2004. The limit of the credit line was increased to LVL 1,592,357. The credit line is secured by the Company's fixed assets.

The Company had not used the credit line as at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

13. LEASE OBLIGATIONS

In 2002 the Company signed a finance lease agreement with SIA Vereins Leasing. The finance lease liabilities are related to the acquisition of a forklift truck. The schedule of minimum lease payments is as follows:

Year	2003	2002
2003	-	4,770
Minimum lease payments	-	4,770
Less amount representing interest	-	(159)
Current minimum lease payment	-	4,611

14. TRADE PAYABLES

	2003 LVL	2002 LVL
SIA Auttra	72,743	25,323
P-D Glasseiden Oschatz GmbH	68,097	46,275
Dietze + Schell Maschinenfabrik	57,706	257
VITRULAN Textilglas GmbH	49,360	4,434
ZET	43,374	40,325
Sinthomer	33,970	-
DEGUSSA-HÜLS AG	33,734	-
SIA Garants	29,845	176,504
A/s Latvijas gāze	27,148	45,767
PPG Industries Fiber Glass bv	24,475	-
Rieter Textile Machiners	22,604	-
TREVIRA GmbH	21,073	-
P-D aitec GmbH	20,355	-
P-D Interglas Technologies AG	5,230	-
A/s Safina	165	11,300
Vinamul B.V.	-	32,674
SIA Etiprodukts	-	12,180
Pārējie	360,211	343,876
Total	870,090	738,915

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**
15. TAXES AND SOCIAL SECURITY PAYMENTS

	2002		Calculated	Transfers	Returned from the state	Paid	2003	
	Prepaid	Liability					Prepaid	Liability
Natural Resource tax	-	3,272	8,657	-	-	(9,215)	-	2,714
Property tax	-	2,818	50,276	-	-	(52,963)	-	131
Social security payments	-	111,863	1,089,468	(1,093,877)	-	-	-	107,454
Personal income tax	-	74,722	718,967	-	-	(715,617)	-	78,072
Land tax	-	-	20	-	-	(20)	-	-
Withholding tax	-	-	9,798	-	-	(9,024)	-	774
VAT	(150,363)	-	(1,968,563)	1,093,877	862,511	-	(162,538)	-
Total	(150,363)	192,675	(91,377)	-	862,511	(786,839)	(162,538)	189,145

16. OTHER ACCOUNTS PAYABLE

	2003 LVL	2002 LVL
Salary	169,356	148,648
Other	17,481	15,772
Total	186,837	164,420

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes currency derivatives to hedge significant future transactions and cash flows. The Company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are for Euro exchange into Lats at pre-agreed rate.

As at 31 December 2003, total notional amount of outstanding forward foreign exchange contracts that the Company has is EUR 9,250,000.

18. SALES

	2003 LVL	2002 LVL
Local sales	604,338	426,449
Export sales:		
European Union	11,631,889	11,079,414
Central and Eastern Europe	1,568,304	2,320,603
CIS	1,379,902	691,951
Other	4,670,451	3,435,897
Total	19,854,884	17,954,314

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

19. OPERATING INCOME

	2003	2002
	LVL	LVL
Sale of raw materials	59,765	108,343
Proceeds from sales of fixed asset, neto	15,781	7,598
Insurance compensation	2,194	790
Other	90,502	57,718
Total	<u>168,242</u>	<u>174,449</u>

20. MATERIAL EXPENSES

	2003	2002
	LVL	LVL
Raw materials	5,816,358	4,967,137
Electricity	985,028	957,995
Ore processing costs	270,255	298,548
Natural gas	638,897	560,968
Depletion of ore	139,322	174,924
Spare parts	275,916	131,001
Other	456,889	188,877
Total	<u>8,582,665</u>	<u>7,279,450</u>

21. PERSONNEL EXPENSES

	2003	2002
	LVL	LVL
Salaries	3,104,904	2,993,624
Social security payments	784,545	821,399
Illness and vacation expenses	354,827	351,149
Other	48,155	38,976
Total	<u>4,292,431</u>	<u>4,205,148</u>

The average number of employees employed in 2003 was 1,052 (2002: 1,148).

22. DEPRECIATION AND AMORTIZATION

	2003	2002
	LVL	LVL
Fixed asset depreciation	1,971,118	1,779,663
Intangible asset amortization	276,365	276,971
Total	<u>2,247,483</u>	<u>2,056,634</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

23. OTHER OPERATING EXPENSES

	2003	2002
	LVL	LVL
Transportation	1,246,101	1,017,917
Commission	1,028,837	970,037
Service costs	439,853	354,432
Repairs	370,952	506,083
Insurance	261,912	202,942
Business trips	187,464	171,455
Expenses relating to personnel	104,895	89,408
Communications	90,741	81,026
Leasing	67,489	56,879
Property tax	50,276	29,853
Office expenses	47,147	46,832
Selling expenses	48,194	30,751
Doubtful debt provisions	24,611	157,459
Other	141,258	161,015
Total	<u>4,109,730</u>	<u>3,876,089</u>

24. INTEREST INCOME AND SIMILAR INCOME

	2003	2002
	LVL	LVL
Net income on foreign exchange rate revaluations	11,251	47,866
Interest income	3,042	2,026
Penalties paid	50	95
Total	<u>14,343</u>	<u>49,987</u>

25. INTEREST EXPENSE AND SIMILAR EXPENSES

	2003	2002
	LVL	LVL
Changes in fair value of derivative financial instrument	266,607	-
Penalties paid	43,921	126
Interest expense	11,794	39,804
Total	<u>322,322</u>	<u>39,930</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

26. CORPORATE INCOME TAX**26 (a) Components of corporate income tax**

	2003 LVL	2002 LVL
Deferred tax (see Note 11)	218,647	105,916
Total	<u><u>218,647</u></u>	<u><u>105,916</u></u>

26 (b) Reconciliation of accounting profit to tax charge:

	2003 LVL	2002 LVL
Profit before tax	1,081,235	947,594
Expected tax charge, applying current tax rate of 19% (2002: 22%)	205,435	208,471
Tax effect of:		
Non-deductible items	71,674	(59,179)
Effect of change in tax rate on deferred tax liability, 15% (2002: 15%)	(58,462)	(43,376)
Corporate income tax charge	<u><u>218,647</u></u>	<u><u>105,916</u></u>

26 (c) Net deferred tax liabilities as of end of the year:

Calculation of deferred tax:

	2003		2002	
	Temporary difference	Tax effect 15 %	Temporary difference	Tax effect 15 %
Temporary difference on depreciation of fixed assets	6,790,081	1,018,512	6,010,343	901,552
Temporary difference on accruals	(233,575)	(35,036)	(75,681)	(11,352)
Tax loss carry forward	(2,067,775)	(310,166)	(2,903,577)	(435,537)
Total	<u><u>4,488,731</u></u>	<u><u>673,310</u></u>	<u><u>3,031,085</u></u>	<u><u>454,663</u></u>

27. EARNINGS PER SHARE

	2003 LVL	2002 LVL
Basic earnings per share		
Average number of shares outstanding	23,903,205	23,903,205
Current year profit	862,588	841,678
Basic earnings per share	<u><u>0.0361</u></u>	<u><u>0.0352</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

28. MANAGEMENT COMPENSATION EXPENSES

	2003	2002
	LVL	LVL
Members of the Board:		
Salary	122,489	99,231
Social security payments	22,045	16,619
Members of the Council:		
Salary	67,741	37,803
Social security payments	10,366	9,502
Other management:		
Salary	53,388	49,072
Social security payments	12,398	12,370
Total	288,427	224,597

29. RELATED PARTY TRANSACTIONS

	Accounts receivable	Accounts payable	Income	Expenses
	LVL	LVL	LVL	LVL
P-D Glasseiden Oschatz GmbH	1,933,793	68,097	12,810,857	1,656,714
P-D aitec GmbH	20,665	20,355	148,272	151,715
VITRULAN Textilglas GmbH	10,629	49,360	1,813,072	143,720
Glasfaser Brattendorf	-	-	93,781	131,629
P-D Interglas Technologies HG	-	5,230	-	5,222
P-D Management Consulting	-	-	-	510
Total	1,965,087	143,042	14,865,982	2,089,510

30. OTHER INFORMATION

Platinum is recorded at cost and the balance value as at 31 December 2003 value amounts to LVL 4,123,898. According to the prices defined in London stock exchange the price as at 31 December 2003 would be LVL 8,103,243.

31. COMMITMENTS AND CONTINGENCIES***Foreign Currency Risk***

Approximately 71% and 20% of total sales in 2003 resulted from contracts denominated in EUR and USD, respectively. The Company does not expect this share of total sales to change significantly in the near future. This arrangement exposes the Company's sales to foreign currency exchange risk, depending on the exchange rate between the reporting currency (LVL) and the EUR and the USD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

Lease commitment

On 27 November 2001 the Company signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the land book value. As of 27 November 2001 the land book value of the land was LVL 300,480. According to the agreement any change in rent depends on changes in the land book value.

The total future rent payments are as follows:

Year	2003 LVL	2002 LVL
2004	15,024	15,024
2005. – 2008	60,096	60,096
Due after 2009	270,432	285,456
Total	345,552	360,576

Long – term agreements

The Company has signed three long-term agreements for the supply of goods:

The term of the agreement signed with Anikscu Kvarcas is 8 years, expiring on 31 December 2009. The agreement provides for the supply of raw materials at a fixed price.

The long-term agreement signed with Partek Nordkalk provides for the supply of milled limestone at specified prices. The term of the agreement is not specified.

The agreement with Lasselsberger GmbH has been signed for the supply of certain raw materials. The term of the agreement is 31 December 2004 and is subject to automatic extension annually.

* * * * *