



A/S Valmieras Stikla Skiedra

*Annual report for the year 2005
prepared in accordance with Latvian statutory requirements
and International Financial Reporting Standards
and Independent Auditors' Report*

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A/S VALMIERAS STIKLA SKIEDRA

ANCILLARY INFORMATION

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1990
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
THE BOARD	Chairman of the Board: Andris Oskars Brutāns, president Members of the Board: Andre Heinz Schwiontek, vicepresident Wilfried Queißer Karl Heinz Will Imants Saulītis Bernd Preißler Friedhelm Schwender
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Inārs Poļaks Andris Bērziņš Hans Peter Cordts Guntis Strazds
REPORTING YEAR	1 January 2005 - 31 December 2005
PRIOR REPORTING YEAR	1 January 2004 - 31 December 2004
AUDITORS AND THEIR ADDRESS	Deloitte Audits Latvia Ltd. License no. 43 1 Doma square (legal address) 2 Biskapa gate (mailing address), Riga, LV-1050, Latvia Silvija Gulbe Sworn Auditor Certificate no. 142

MANAGEMENT REPORT

The Company's primary business is the manufacture and sale of fibreglass and fibreglass products. The Company has been operating in international fibreglass market for 12 years; in 2005 the production was sold in 29 countries. 69.6% of total production is sold to European Union companies.

Since 2000 the Company operates in accordance with DIN EN ISO 9001:2000 quality management certificate, which was issued and is audited every 3 years by a German Quality management system certification company located in Frankfurt.

In 2005, the Company's sales amounted to LVL 32.688 million compared to 2004 when the sales were LVL 26.772 million. The net sales increase is LVL 5.916 million or 22.1%. The sales increase is related to the increase in turnover and number of customers in USA and Europe. The sales increase was caused by the successful operation of fibreglass manufacturing and processing plants, the high qualification of employees, new product development, improvement of production and sales process, and a favourable EUR exchange rate.

During 2005, the Company has invested LVL 5.3 million in fixed assets to increase the manufacturing capacity.

In 2005, the Company doubled the supply of products which are produced from semi-manufactured goods in order to acquire the market for 2007 to sell the production of the new plant, which will be built in 2006.

The table below shows the fibreglass products, which were produced in 2005, and their respective share of total fibreglass sales:

Fibreglass nets and ravings	32%
Fibreglass fabrics	58%
Other	10%

The net profit for 2005 was LVL 1.237 million, which is a decrease of LVL 718K or 36.7% compared to 2004. The decrease in net profit is related to an increase of actual expenditure for certain types of costs (transportation, semi-manufactured goods, depreciation and amortisation, services received from other companies in Latvia etc.) in comparison to budgeted.

According to a decision made during the shareholders meeting on 3 June 2005, a part of the net profit for 2004 was paid out as dividends to the Company's shareholders, 3.7 santimes per share.

The share value of A/S Valmieras Stikla Skiedra listed in Riga Stock Exchange increased by LVL 0.67 or 34.0%, i.e., from LVL 1.97 as of 30 December 2004 to LVL 2.64 as of 30 December 2005.

As of December 31, 2004, the share capital of JSC Valmieras Stikla Šķiedra was LVL 23,903,205.

During 2005, the Company was successfully continuing to implement the Development concept for the years 2004 to 2008. The main goals of the Development concept and the investment projects are the following:

- increase in manufacturing capacity;
- reduction of costs;
- improvement of work organization,
- development of new products,
- search for new markets.

The Company plans to invest in several large projects that will affect all production units and technological equipment.

MANAGEMENT REPORT

In September 2005, according to the decision of the Cabinet of Ministers of the Republic of Latvia the construction of a new fibreglass plant in Latvia was applied the status of state supported project, which allows to apply 40% corporate income tax discount for investments (LVL 24 million) from 2007 up to 2017. For the decision to become effective, it has to be approved by EU institutions. If the tax allowance is approved, that will decrease considerably the corporation tax payable in future. Consequently, the deferred tax liability will decrease significantly.

The Company's budgeted sales for 2006 are LVL 34.469 million, net profit - LVL 1.263 million. In 2007 the Company plans sales of LVL 45.3 million, and have net profit of LVL 3.2 million.

Total budgeted investments for 2006 equal LVL 25.727 million.

The reserve was set up in previous years to comply with Latvian legislation. Now the requirement for the reserve has been abolished. The Board proposes to reclassify Reserves in equity to retained earnings.

There have been no significant events subsequent to the end of the reporting year that might have a material influence on the Company's financial statements for the year ended on 31 December 2005.

Andris Oskars Brutāns
Chairman of the Board
31 March 2006

INDEPENDENT AUDITORS' REPORT

Translation from Latvian

To the shareholders of Valmieras Stikla Skiedra A/S:

We have audited the accompanying financial statements of Valmieras Stikla Skiedra A/S ("the Company") for the years ended 31 December 2005 and 2004, which are presented on pages 7 to 27. The audited financial statements include the balance sheets as of 31 December 2005 and 2004 and the related statements of profit and loss, cash flows and changes in shareholders' equity for the years ended 31 December 2005 and 2004. 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 audits 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 2005 and 2004, and the results of its operations, cash flows and changes in shareholders' equity for the years ended 31 December 2005 and 2004 in accordance with International Financial Reporting Standards and the Latvian law "On the Annual Reports of Enterprises".

We have read the management report for the year ended 31 December 2005 as shown on pages 4 and 5 of the annual report and we have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2005.

Deloitte Audits Latvia Ltd.
Licence no. 43

Kenneth Taylor Hansen
Authorized Representative

Silvija Gulbe
Sworn Auditor
Certificate no. 142

Riga, Latvia
31 March 2006

A/S VALMIERAS STIKLA SKIEDRA

**BALANCE SHEETS
AS OF 31 DECEMBER 2005 AND 2004**

		31.12.2005		31.12.2004	
	Notes	LVL	EUR	LVL	EUR
ASSETS			0.702804		0.703
Non-current assets					
Intangible assets					
Patents and licenses		77 066	109 655	43 292	61 582
Other intangible assets		249 280	354 693	521 222	741 425
Total intangible assets	3	326 346	464 349	564 514	803 007
Fixed assets					
Land and buildings	4	4 990 321	7 100 587	4 633 451	6 590 969
Equipment and machinery	4	13 706 596	19 502 729	10 947 903	15 573 119
Other fixed assets	4	472 842	672 794	343 669	488 861
Construction in progress	4	2 134 933	3 037 736	2 969 889	4 224 593
Advance payments for fixed assets		396 700	564 453	735 692	1 046 504
Total fixed assets		21 701 392	30 878 299	19 630 604	27 924 046
Total non-current assets		22 027 738	31 342 647	20 195 118	28 727 053
Current assets					
Inventory					
Raw materials	5	6 924 987	9 853 369	6 838 439	9 727 509
Work in progress		2 360 142	3 358 180	1 440 937	2 049 697
Finished goods	6	3 683 622	5 241 322	2 510 611	3 571 282
Advance payments for inventories		117 309	166 916	101 992	145 081
Total inventory		13 086 060	18 619 786	10 891 979	15 493 569
Accounts receivable					
Trade receivables	7	4 533 998	6 451 298	3 152 425	4 484 246
Other receivables	8	250 752	356 788	246 788	351 050
Deferred expenses	10	194 295	276 457	179 663	255 566
Total accounts receivable		4 979 045	7 084 543	3 578 876	5 090 862
Cash and cash equivalents	11	243 753	346 829	373 286	530 990
Total current assets		18 308 858	26 051 158	14 844 141	21 115 421
TOTAL ASSETS		40 336 596	57 393 805	35 039 259	49 842 474

The accompanying notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements were signed on 31 March 2006 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 2005 AND 2004**

		31.12.2005		31.12.2004	
	Notes	LVL	EUR	LVL	EUR
LIABILITIES & SHAREHOLDERS' EQUITY			0.702804		0.703
Shareholders' equity					
Share capital	12	23 903 205	34 011 197	23 903 205	34 001 714
Reserves		234 533	333 710	234 533	333 617
Retained earnings:					
a) retained earnings		2 660 237	3 785 176	1 589 651	2 261 239
b) current year profit		1 237 428	1 760 701	1 955 004	2 780 945
Total shareholders' equity		28 035 403	39 890 785	27 682 393	39 377 515
Liabilities					
Non-current liabilities					
Due to credit institutions	13	2 563 544	3 647 594	1 054 500	1 500 000
Finance lease	14	28 465	40 502	46 465	66 095
Deferred tax	27	1 342 253	1 909 854	1 110 497	1 579 654
Total non-current liabilities		3 934 262	5 597 950	2 211 462	3 145 750
Current liabilities					
Due to credit institutions	13	5 401 197	7 685 211	2 728 545	3 881 287
Finance lease	14	17 986	25 592	17 986	25 585
Advance payments from customers		15 349	21 840	46 819	66 599
Trade payables	15	2 194 430	3 122 393	1 643 088	2 337 252
Taxes and social security payments	16	293 444	417 533	232 314	330 461
Other accounts payable	17	206 316	293 561	268 930	382 546
Accrued liabilities	18	238 209	338 941	207 722	295 479
Total current liabilities		8 366 931	11 905 070	5 145 404	7 319 209
Total liabilities		12 301 193	17 503 021	7 356 866	10 464 959
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		40 336 596	57 393 805	35 039 259	49 842 474

The accompanying notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements were signed on 31 March 2006 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 2005 AND 2004**

		2005		2004	
	Notes	LVL	EUR	LVL	EUR
			0.702804		0.703
Revenues	19	32 688 396	46 511 397	26 771 724	38 082 111
Changes in inventories		2 092 217	2 976 957	336 624	478 839
Work performed by the entity and capitalised		108 008	153 682	46 711	66 445
Other operating income	20	137 383	195 478	275 819	392 346
Raw materials and consumables	21	(17 628 325)	(25 082 847)	(11 601 237)	(16 502 471)
Personnel expenses	22	(5 511 498)	(7 842 155)	(4 992 136)	(7 101 189)
Depreciation and amortization	23	(3 118 542)	(4 437 286)	(2 579 947)	(3 669 910)
Other operating expenses	24	(7 131 358)	(10 147 008)	(5 712 023)	(8 125 211)
Profit from operations		1 636 281	2 328 218	2 545 535	3 620 960
Interest - and similar income	25	61 641	87 707	1 667	2 371
Interest - and similar expenses	26	(175 733)	(250 046)	(155 011)	(220 499)
Profit before taxes		1 522 189	2 165 880	2 392 191	3 402 832
Corporate income tax	27	(284 761)	(405 178)	(437 187)	(621 888)
Net profit		1 237 428	1 760 701	1 955 004	2 780 945
Basic earnings per share	28	0.0518	0.0737	0.0818	0.1164

The accompanying notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements were signed on 31 March 2006 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 2005 AND 2004**

	Share capital		Reserves		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
		0.702804		0.702804		0.702804		0.702804
As of 31 December 2003	23 903 205	34 011 197	234 533	333 710	2 073 767	2 950 705	26 211 505	37 295 612
Dividends paid	-		-		(484 116)	(688 835)	(484 116)	(688 835)
Current year profit	-		-		1 955 004	2 781 720	1 955 004	2 781 720
As of 31 December 2004	23 903 205	34 011 197	234 533	333 710	3 544 655	5 043 590	27 682 393	39 388 497
Dividends paid	-		-		(884 418)	(1 258 413)	(884 418)	(1 258 413)
Current year profit	-		-		1 237 428	1 760 701	1 237 428	1 760 701
As of 31 December 2005	23 903 205	34 011 197	234 533	333 710	3 897 665	5 545 878	28 035 403	39 890 785

The accompanying notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements were signed on 31 March 2006 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004					
	Notes	2005		2004	
		LVL	EUR	LVL	EUR
			0.702804		0.703
OPERATING ACTIVITIES					
Profit before taxes		1 522 189	2 165 880	2 392 191	3 402 832
Adjustments:					
Depreciation and amortization	23	3 118 542	4 437 286	2 579 947	3 669 910
Depletion of precious metals	21	92 587	131 739	79 168	112 615
Accruals for vacations and bonuses for board and council members		30 487	43 379	141 453	201 213
Profit or loss from disposal of fixed assets		64 261	91 435	(38 648)	-54 976
Calculated interest income	25	(0 516)	-0 734	(0 987)	-1 404
Calculated interest expenses	26	181 047	257 607	56 427	80 266
Changes in operating assets and liabilities:					
Inventory		(2 092 241)	-2 976 991	(1 368 176)	-1 946 196
Accounts receivable		(1 400 169)	-1 992 261	(747 771)	-1 063 686
Accounts payable		270 938	385 510	630 046	896 225
Cash provided by operating activities		1 787 125	2 542 850	3 723 650	5 296 799
INVESTING ACTIVITIES					
Purchase of fixed assets		(5 026 686)	-7 152 330	(7 340 721)	-10 441 993
Proceeds from sale of fixed assets		11 263	16 026	62 631	89 091
Received interest income		0 516	0 734	0 987	1 404
Net cash used in investing activities		(5 014 907)	-7 135 570	(7 277 103)	-10 351 498
FINANCING ACTIVITIES					
Received loans from credit institution		10 136 558	14 423 023	2109000	3 000 000
Paid loans to credit institution		(7 995 282)	-11 376 261	-	-
Received credit line		38 094 964	54 204 250	10 863 095	15 452 482
Paid credit line		(36 054 544)	(51 300 994)	(9 189 050)	(13 071 195)
Paid finance lease		(17 982)	(25 586)	-	-
Dividends paid		(884 418)	(1 258 413)	(484 116)	(688 643)
Interest expenses paid		(181 047)	(257 607)	(50 070)	(71 223)
Net cash provided by financing activities		3 098 249	4 408 411	3 248 859	4 621 421
Net decrease in cash		(129 533)	(184 309)	(304 594)	(433 277)
Cash and cash equivalents at the beginning of the year		373 286	531 138	677 880	964 267
Cash and cash equivalents at the end of the year	11	243 753	346 829	373 286	530 990

The accompanying notes on pages 11 to 27 are an integral part of these financial statements.

The financial statements were signed on 31 March 2006 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 2005 AND 2004**

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 fibreglass and fibreglass products.

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Latvian law "On the Annual Reports of Enterprises" and Latvian accounting standards.

The financial statements have been prepared on the historical cost basis.

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning 1 January 2005. The adoption of the new and revised Standards and Interpretations have had no material impact on the financial statements of the Company.

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

Reclassification

Certain amounts in the previous year's financial statements have been reclassified to conform to the current year presentation, as required by Latvian legislation.

2004	Previously reported		Reclassification		Reclassified balance	
	LVL	EUR	LVL	EUR	LVL	EUR
		0.703		0.703		0.703
Other provisions	207 722	295 479	(207 722)	(295 479)	-	
Accrued liabilities	-		207 722	295 479	207 722	295 479
Personnel expenses	(4 994 786)	(7 104 959)	(46 711)	(66 445)	(5 041 497)	(7 171 404)
Work performed by the entity and capitalised	-		(46 711)	(66 445)	(46 711)	(66 445)

In 2005, the Company decided to present on face of the profit and loss statement a line "Work performed by the entity and capitalised". It was omitted in previous years as considered not material for separate presentation.

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 rates used for the principal currencies as of 31 December are as follows:

	2005	2004
EUR	0.702804	0.7030
GBP	1.021	0.9960
RUR	0.0206	0.0186
SEK	0.0747	0.0782

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

	USD	0.593	0.5160
<i>Intangible assets</i>			

Intangible assets are stated at historical cost, less accumulated amortisation.

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 amortised over the same period using the straight line method of amortization.

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.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the financial period in which they are incurred.

Land is not depreciated. For other fixed assets depreciation is calculated using the asset's historical cost as the basis. Depreciation is calculated using the straight-line method applying the following annual depreciation rates:

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with term which does not exceed 90 days.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Tax

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

Deferred tax is provided on all temporary timing differences arising between the accounting and tax treatment of income and expenses. The deferred tax 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 tax depreciation rates of fixed assets. Where an overall deferred tax 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.

Leases

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Total payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the period of the lease.

Finance expenses

Finance expenses related to borrowings are expensed in the period to which they are attributable. Amounts are disclosed in the profit and loss statement as interest and similar expense.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Provisions for doubtful receivables are made in case there is a risk that the Company will not be able to collect the receivables in full amount according to initially determined repayment terms.

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 the shareholders of the Company with stakes of 20% or higher, their group companies, members of the Board and Council, their close family members and companies, in which the above mentioned persons have significant influence.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

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.

Emission rights

The Company is a participant of CO₂ emission trading scheme and has received an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The allowances are initially presented as intangible assets and recorded at cost. The value is decreased proportionally to actual annual usage of the allowance. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost. If the actual emission is less than the allowance, the amount of unused rights is presented as an off-balance sheet asset, unless there are definite plans to sell the allowances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

3. INTANGIBLE ASSETS

	Patents and licenses		Other intangible assets		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
HISTORICAL COST		0.702804		0.702804		0.702804
As of 31 December 2003	1 214 756	1 728 442	1 359 709	1 934 692	2 574 465	3 663 134
Additions	28 582	40 669	-	-	28 582	40 669
As of 31 December 2004	1 243 338	1 769 111	1 359 709	1 934 692	2 603 047	3 703 802
Additions	50 413	71 731	-	-	50 413	71 731
As of 31 December 2005	1 293 751	1 840 842	1 359 709	1 934 692	2 653 460	3 775 533
ACCUMULATED AMORTISATION						
As of 31 December 2003	1 190 101	1 693 361	566 545	806 121	1 756 646	2 499 482
Charge for the year	9 945	14 150	271 942	386 939	281 887	401 089
As of 31 December 2004	1 200 046	1 707 512	838 487	1 193 060	2 038 533	2 900 571
Charge for the year	16 639	23 675	271 942	386 939	288 581	410 614
As of 31 December 2005	1 216 685	1 731 187	1 110 429	1 579 998	2 327 114	3 311 185
NET CARRYING AMOUNT						
As of 31 December 2004	43 292	61 599	521 222	741 632	564 514	803 231
As of 31 December 2005	77 066	109 655	249 280	354 693	326 346	464 349

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

4. FIXED ASSETS

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress (CIP)	Total
		LVL	LVL	LVL	LVL	LVL
HISTORICAL COST						
As of 31 December 2003	-	5,389,367	14,015,393	992,725	817,586	21,215,071
Additions	-	-	-	-	6,663,285	6,663,285
Disposals	-	(1,516)	(209,742)	(38,425)	-	(249,683)
Transfers	-	1,005,722	3,332,231	173,029	(4,510,982)	-
As of 31 December 2004	-	6,393,573	17,137,882	1,127,329	2,969,889	27,628,673
Additions	-	-	-	-	5,315,265	5,315,265
Disposals	-	(92,391)	(47,294)	(21,684)	-	(161,369)
Transfers	242,936	620,923	4,909,568	376,794	(6,150,221)	-
As of 31 December 2005	242,936	6,922,105	22,000,156	1,482,439	2,134,933	32,782,569
ACCUMULATED DEPRECIATION						
As of 31 December 2003	-	1,398,369	4,753,737	508,295	-	6,660,401
Charge for the year	-	363,269	1,621,373	313,418	-	2,298,060
Disposals	-	(1,516)	(185,131)	(38,053)	-	(224,700)
As of 31 December 2004	-	1,760,122	6,189,979	783,660	-	8,733,761
Charge for the year	-	442,211	2,140,251	247,499	-	2,829,961
Disposals	-	(27,613)	(36,670)	(21,562)	-	(85,845)
As of 31 December 2005	-	2,174,720	8,293,560	1,009,597	-	11,477,877
NET CARRYING AMOUNT						
As of 31 December 2004	-	4,633,451	10,947,903	343,669	2,969,889	18,894,912
As of 31 December 2005	242,936	4,747,385	13,706,596	472,842	2,134,933	21,304,692

The registered cadastral value of property owned by the Company as at 31 December 2005 was LVL 3,168,986 (2004: 2,414,963).

The registered cadastral value of land owned by the Company was LVL 72,881.

The Company has pledged non-current assets whose carrying amount as of 31 December 2005 amounted to LVL 21,631,038 (2004: LVL 845,665), see Note 13.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress (CIP)	Total
HISTORICAL COST						
As of 31 December 2003	-	7 668 378	19 942 108	1 412 520	1 163 320	30 186 326
Additions	-	-	-	-	9 481 000	9 481 000
Disposals	-	(2 157)	(298 436)	(54 674)	-	(355 267)
Transfers	-	1 431 014	4 741 337	246 198	-6 418 549	
As of 31 December 2004	-	9 097 235	24 385 009	1 604 044	4 225 771	39 312 059
Additions	-	-	-	-	7 562 941	7 562 941
Disposals	-	(131 460)	(67 293)	(30 854)	-	(229 607)
Transfers	345 666	883 494	6 985 686	536 130	(8 750 976)	
As of 31 December 2005	345 666	9 849 269	31 303 402	2 109 320	3 037 736	46 645 393
As of 31 December 2003	-	1 989 700	6 763 958	723 239	-	9 476 897
Charge for the year	-	516 885	2 307 006	445 953	-	3 269 844
Disposals	-	(2 157)	(263 418)	(54 145)	-	(319 720)
As of 31 December 2004	-	2 504 428	8 807 546	1 115 047	-	12 427 021
Charge for the year	-	629 209	3 045 303	352 159	-	4 026 671
Disposals	-	(39 289)	(52 177)	(30 680)	-	(122 146)
As of 31 December 2005	-	3 094 348	11 800 672	1 436 526	-	16 331 546
NET CARRYING AMOUNT	-					
As of 31 December 2004		6 592 807	15 577 463	488 997	4 225 771	26 885 038
As of 31 December 2005	345 666	6 754 921	19 502 730	672 794	3 037 736	30 313 847

5. RAW MATERIALS

Raw materials include platinum plates that are used in the manufacturing process. The average technical depletion of these plates in 2005 was 2.25% (2004 – 1.9 %). The plates are used on average from 220 to 430 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 and net realizable value. As at 31 December 2005 the carrying amount was LVL 4,062,022 (2004 – LVL 4,202,060). According to the metal prices quoted in London stock exchange as at 31 December 2005 the market price of the precious metals was LVL 12,958,899 (2004 – LVL 8,100,510).

6. FINISHED GOODS

As of 31 December 2005 the Company has provided allowance of LVL 72,262 to decrease the inventory value to net realizable value. As of 31 December 2005 the carrying amount of inventories stated at net realizable value comprised LVL 697,726.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**
7. TRADE RECEIVABLES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
P-D Glasseiden Oschatz GmbH	2 607 833	3 710 612	2 306 765	3 281 316
VITRULAN Textilglas GmbH	193 993	276 027	36 905	52 496
P-D aitec GmbH	4 369	6 217	91 520	130 185
P-D Glasfaser GmbH Brattendorf	-	-	15 541	22 107
Other trade receivables	1 749 386	2 489 152	736 176	1 047 192
Provisions for doubtful receivables	(21 583)	(30 710)	(34 482)	(49 050)
Total	4 533 998	6 451 298	3 152 425	4 484 246

The Company made provisions for doubtful receivables ranging from 20 - 100% based on the estimated realizable value of these receivables.

8. OTHER RECEIVABLES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
VAT (see Note 16)	130 744	186 032	213 490	303 684
VAT on unpaid invoices	101 530	144 464	4 696	6 680
Natural resource tax (see Note 16)	-	-	2 656	3 778
Real estate tax (see Note 16)	-	-	0 782	1 112
Other receivables	45 266	64 408	53 615	76 266
Provisions for doubtful receivables	(26 788)	(38 116)	(28 451)	(40 471)
Total	250 752	356 788	246 788	351 050

9. CHANGES IN PROVISIONS FOR DOUBTFUL RECEIVABLES

	LVL	EUR
		0.702804
Provisions as of 31 December 2003	201 800	287 136
Decrease due to collection (see Note 20)	(29 803)	(42 406)
Written off	(78 513)	(111 714)
Increase in provisions (see Note 24)	2 805	3 991
Foreign currency exchange rate fluctuations	(33 356)	(47 461)
Provisions as of 31 December 2004	62 933	89 546
Decrease due to collection (see Note 20)	(14 555)	(20 710)
Foreign currency exchange rate fluctuations	(0 007)	(0 010)
Provisions as of 31 December 2005	48 371	68 826

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

10. DEFERRED EXPENSES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Insurance expenses	92 886	132 165	73 319	104 294
Platinum plate replacement expenses	48 642	69 211	98 717	140 422
Other deferred expenses	52 767	75 081	7 627	10 849
Total	194 295	276 457	179 663	255 566

11. CASH AND CASH EQUIVALENTS

	2005	EUR	2004	EUR
	LVL	0.702804	LVL	0.703
Cash in bank	238 946	339 990	369 552	525 679
Cash on hand	4 807	6 840	3 734	5 312
Total	243 753	346 829	373 286	530 990

12. SHARE CAPITAL

The Company's registered share capital as of 31 December 2005 and 2004 was LVL 23,903,205.

The Company's paid share capital as of 31 December 2005 and 2004 consisted of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights. The nominal value of each share is LVL 1.

As of 31 December 2005 and 2004 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2005	2004
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrolan Textilglas GmbH	30.8%	30.8%
Skandinaviska Enskilda Banken Ab	7.6%	8.0%
P.D.P. Fiberglass Consulting Ltd	4.6%	4.6%
VAS VSAA	2.4%	2.4%
Nordea Bank Finland Plc	2.6%	1.5%
Other	6.7%	7.4%
	100.0%	100.0%

The reserve was established in prior years to comply with Latvian legislation. Now the requirement for the reserve has been abolished. The Board is proposing to Annual General Meeting to reclassify the reserve to retained earnings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**
13. DUE TO CREDIT INSTITUTIONS

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Non-current part:				
Loan A/S "Vereinsbanka Rīga"	-		1 054 500	1 500 000
Loan A/S "Hansabanka"	2 563 544	3 647 594	-	
Total non-current part	2 563 544	3 647 594	1 054 500	1 500 000
Current part:				
Credit line A/S "Hansabanka"	3 714 465	5 285 208	1 674 045	2 381 287
Loan A/S "Vereinsbanka Rīga"	-		1 054 500	1 500 000
Loan A/S "Hansabanka"	1 686 732	2 400 003	-	
Total current part	5 401 197	7 685 211	2 728 545	3 881 287
Total	7 964 741	11 332 805	3 783 045	5 381 287

On 2 April 2001 the Company signed a credit line agreement with A/S Hansabanka to increase working capital. On 19 July 2004 the credit line limit has been increased to EUR 4,500,000. On 2 August 2005 the credit line limit was increased to EUR 6,000,000. The fixed rate of the credit line is 3.29%.

As a security for the credit line, the Company has pledged inventories with the carrying amount of LVL 13,086,060 as at 31 December 2005 (2004: LVL 10,891,979).

As of 31 December 2005 the Company has signed the following loan agreements:

Date	Agreement No.	Principal amount, EUR	Interest rate	Repayment term
10.06.2005.	05-05009091-IN	3,000,000	3 month EURIBOR + 0.9%	30.12.2006.
10.06.2005.	05-050085-AK	1,000,000	3 month EURIBOR + 0.9%	20.04.2006.
10.06.2005.	05-049975-IN	36,000,000	3 month EURIBOR + 0.9%	30.12.2018.

According to mortgage agreement No.05-04995-IN/3, the loans are secured by the fixed and intangible assets of the Company with the carrying amount as of 31 December 2005 of LVL 21,631,038.

14. FINANCE LEASE

In July 2004 the Company signed a finance lease agreement with SIA HVB Leasing for the purchase of four lorry loaders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

	2005		2005		2004		2004	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
		0.7028		0.7028 04		0.703		0.703
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance lease:								
Current	19 580	27 860	17 986	25 592	20 324	28 910	17 986	25 585
Non current	29 453	41 908	28 465	40 502	49 047	69 768	46 465	66 095
Total amounts payable under finance lease	49 033	69 768	46 451	66 094	69 371	98 678	64 451	91 680
Future financing charges	(2 582)	(3 674)	n/a		(4 920)	(6 999)	n/a	
Present value of lease obligations	46451	66 094	46451	66 094	64 451	91 679	64 451	91 680

15. TRADE PAYABLES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Fulltech Fiber Glass Corp.	401 116	570 737	-	
Saint-Gobain Vertex a.s.	315 668	449 155	87 201	124 041
P-D Glasseiden Oschatz GmbH	271 427	386 206	284 276	404 376
SIA Auttra	209 692	298 365	179 868	255 858
Sinthomer GmbH	77 816	110 722	25 363	36 078
VAS Latvenergo ZET	55 758	79 336	53 265	75 768
Latvian American Shipping Line	50 778	72 251	58 949	83 853
A/S Latvijas gāze	40 640	57 826	27 104	38 555
Lasselsberger GmbH	36 735	52 269	20 754	29 522
Baltijas Transporta apdrošināšana	35 229	50 126	20 490	29 147
 Degussa – Hüls AG	27 960	39 783	28 902	41 112
A/S BTB Tranzīts	27 545	39 193	10 798	15 360
SIA Metaro	18 660	26 551	25 948	36 910
SIA Garants	15 691	22 326	11 976	17 036
Supermetal NPK	12 535	17 836	20 451	29 091
Lindauer Dornier GmbH	5 942	8 455	44 246	62 939
P-D Interklas Technologies S.	2 155	3 066	19 502	27 741
P-D aitec GmbH	1 880	2 675	48 066	68 373
Others	587 203	835 515	675 929	961 492
Total	2 194 430	3 122 393	1 643 088	2 337 252

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

16. TAXES AND SOCIAL SECURITY PAYMENTS

	2004		Calculated	Transfers	Returned from the state	Paid	2005	
	Prepaid	Liability					Prepaid	Liability
Natural resource tax	2,656	-	34,042	13,520*	-	13,361	-	4,505
Real estate tax	782	-	58,904	-	-	55,704	-	2,418
Social security payments	-	135,566	1,318,830	1,323,788	-	2,852	-	127,756
Personal income tax	-	96,393	900,075	-	-	891,049	-	105,419
Land tax	-	-	413	-	-	413	-	-
Enterprise risk duty	-	355	4,196	-	-	4,210	-	341
VAT	213,490	-	(2,006,293)	(1,323,788)	765,251	-	130,744	-
Corporate income tax	-	-	53,005	-	-	-	-	53,005
Total	216,928	232,314	363,172	13,520	765,251	967,589	130,744	293,444

* A tax credit of LVL 13,520 to be utilised for environmental activities within the Company.

	2004		Calculated	Transfers	Returned from the state	Paid	2005	
	Prepaid	Liability					Prepaid	Liability
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	0.703	0.703	0.702804	0.702804	0.702804	0.702804	0.7028	0.702804
Natural resource tax	3 778		48 437	19237*		19 011		6 410
Real estate tax	1 112		83 813			79 260		3 441
Social security payments		192 839	1 876 526	1 883 581		4 058		181 780
Personal income tax		137 117	1 280 691			1 267 848		149 998
Land tax			0 588			0 588		
Enterprise risk duty		0 505	5 970			5 990		0 485
VAT	303 684		(2 854 698)	(1 883 581)	1 088 854		186 032	
Corporate income tax			75 419					75 419
Total	308 574	330 461	516 746	19 237	1 088 854	1 376 755	186 032	417 533

* A tax credit of EUR 19237 to be utilised for environmental activities within the Company.

17. OTHER ACCOUNTS PAYABLE

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Salary	195 212	277 762	261 813	372 422
Other	11 104	15 800	7 117	10 124
Total	206 316	293 561	268 930	382 546

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**
18. ACCRUED LIABILITIES

	2 005		2 004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Accrual for remuneration of the members of the Board and Council	178 008	253 283	142 340	202 475
Accrual for vacations	60 201	85 658	65 382	93 004
Total	238 209	338 941	207 722	295 479

19. REVENUES

	2 005		2 004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Export sales:				
European Union	22 761 001	32 385 987	18 530 542	26 359 235
North America	5 575 770	7 933 606	4 677 241	6 653 259
CIS	2 533 662	3 605 076	2 277 985	3 240 377
Local sales	639 216	909 522	729 438	1 037 607
Other countries	1 178 747	1 677 206	556 518	791 633
Total	32 688 396	46 511 397	26 771 724	38 082 111

20. OTHER OPERATING INCOME

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Sale of raw materials	67 781	96 444	76 961	109 475
Decrease in doubtful receivables provision (see Note 9)	14 555	0 000	29 803	42 394
Insurance compensation	0 279	1 849	17 573	24 997
Proceeds from sales of fixed asset, net	-		38 648	54 976
Other	54 768	77 928	112 834	160 504
Total	137 383	176 220	275 819	392 346

21. RAW MATERIALS AND CONSUMABLES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Raw materials	14 928 422	21 241 231	9 034 440	12 851 266
Electricity	1 156 479	1 645 521	1 075 962	1 530 529
Natural gas	764 983	1 088 473	671 197	954 761
Ore processing costs	264 424	376 241	237 135	337 319
Depletion of ore	92 587	131 739	79 168	112 615
Other	421 430	599 641	503 335	715 982
Total	17 628 325	25 082 847	11 601 237	16 502 471

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

22. PERSONNEL EXPENSES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Salaries	3 824 822	5 442 231	3 394 864	4 829 110
Social security payments	945 959	1 345 978	855 643	1 217 131
Illness and vacation expenses	387 236	550 987	373 764	531 670
Accruals for bonuses of Board and Council	173 500	246 868	142 340	202 475
Insurance of employees	69 063	98 268	106 689	151 762
Other	110 918	157 822	118 836	169 041
Total	5 511 498	7 842 155	4 992 136	7 101 189

The average number of employees, including employees on term contracts and trainees, was 974 (2004: 1,021).

23. DEPRECIATION AND AMORTIZATION

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Fixed asset depreciation (see Note 4)	2 829 961	4 026 672	2 298 060	3 268 933
Intangible asset amortization (see Note 3)	288 581	410 614	281 887	400 977
Total	3 118 542	4 437 286	2 579 947	3 669 910

24. OTHER OPERATING EXPENSES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Transportation	2 378 448	3 384 227	1 857 223	2 641 853
Sales commission	1 980 253	2 817 646	1 536 940	2 186 259
Service costs	847 485	1 205 863	644 483	916 761
Spare parts	639 903	910 500	483 481	687 740
Repair expenses	319 017	453 920	327 356	465 656
Insurance	154 927	220 441	130 745	185 982
Business trips	179 343	255 182	205 069	291 706
Communications	77 970	110 941	93 434	132 908
Leasing	71 461	101 680	72 150	102 632
Loss on disposal of fixed assets	64 261	91 435	-	-
Property tax	58 904	83 813	52 203	74 257
Office expenses	56 977	81 071	49 027	69 740
Selling expenses	56 727	80 715	38 983	55 452
Labour safety and specific clothing	52 063	74 079	49 361	70 215
Other	193 619	275 495	168 763	240 061
Increase in doubtful receivables (see Note 9)	-	-	2 805	3 990
Total	7 131 358	10 147 008	5 712 023	8 125 211

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

25. OTHER INTEREST INCOME AND SIMILAR INCOME

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Net income on foreign exchange rate revaluations	61 110	86 952	-	
Interest income	0 516	0 734	0 987	1 404
Penalties received	0 015	0 021	0 680	0 967
Total	61 641	87 707	1 667	2 371

26. INTEREST EXPENSE AND SIMILAR EXPENSES

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Interest expense	181 047	257 607	56 427	80 266
Capitalized interest	(9 523)	(13 550)	-	
Penalties paid	4 209	5 989	0 261	0 371
Net loss on foreign exchange rate fluctuations	-		98 323	139 862
Total	175 733	250 046	155 011	220 499

27. CORPORATE INCOME TAX**27 (a) Components of corporate income tax**

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Deferred tax	231 756	329 759	437 187	621 888
Corporate income tax	53 005	75 419	-	
Total	284 761	405 178	437 187	621 888

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

	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
Profit before tax	1 522 189	2 165 880	2 392 191	3 402 832
Expected tax charge, applying current tax rate of 15%	228 328	324 881	358 829	510 425
Tax effect of non-deductible items	56 433	80 297	78 358	111 462
Corporate income tax charge	284 761	405 178	437 187	621 888

**NOTES TO THE FINANCIAL STATEMENTS
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27 (c) Net deferred tax liabilities as of end of the year:

Calculation of deferred tax:

	2005				2004			
	Temporariy difference	Tax effect			Temporary difference	Tax effect		
	LVL	15% EUR	LVL	EUR	LVL	15% EUR	LVL	EUR
		0.702804		0.702804		0.703		0.703
Temporary difference on depreciation of fixed assets	9 186 563	13071302	1 377 984	1 960 695	7 809 334	11 108 583	1 171 400	1 666 287
Temporary difference on accruals	(238 209)	(338 941)	(35 731)	(50 841)	(207 722)	(295 479)	(31 158)	(44 321)
Tax loss carry forward	-	-	-	-	(198 302)	(282 080)	(29 745)	(42 312)
Total	8 948 354	12 732 361	1 342 253	1 909 854	7 403 310	10 531 024	1 110 497	1 579 654

28. EARNINGS PER SHARE

	2005		2004	
	LVL	EUR	LVL	EUR
Basic earnings per share		0.702804		0.703
Average number of shares outstanding	23 903 205	34 011 197	23 903 205	34 001 714
Current year profit	1 237 428	1 760 701	1 955 004	2 780 945
Basic earnings per share	0.0518	0.0737	0.0818	0.1164

29. MANAGEMENT REMUNERATION

	2005		2004	
	LVL	EUR	LVL	EUR
Members of the Council:		0.702804		0.703
Compensation (Tantiemes)	127 750	181 772	53 180	75 647
Social security payments	16 698	23 759	11 650	16 572
Members of the Board:				
Compensation	176 647	251 346	61 456	87 420
Social security payments	14 083	20 038	13 687	19 469
Other management:				
Salary	165 138	234 970	129 537	184 263
Social security payments	30 071	42 787	20 144	28 654
Total	530 387	754 673	289 654	412 026

The Company has not granted or received any loans from the members of Council, Board or management in 2005 and 2004.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

30. TRANSACTIONS WITH RELATED PARTIES

	31.12.2005 Accounts receivable		Accounts payable	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
P-D Glasseiden Oschatz GmbH	2 607 833	3 710 612	271 427	386 206
P-D aitec GmbH	4 369	6 217	1 880	2 675
VITRULAN Textilglas GmbH	193 993	276 027	4 744	6 750
Glasfaser Brattendorf	-	-	-	-
P-D Interglas Technologies HG	-	-	2 155	3 066
Total	2 806 195	3 992 856	280 206	398 697

**2005 Entities with significant influence over the
entity**

	LVL	EUR
		0.702804
Sales of goods	24 793 192	35 277 534
Purchase of goods	3 825 324	5 442 946
Rendered services	19 960	28 401
Sales commission	1 980 254	2 817 648
Received services	197 952	281 660
Purchase of fixed and intangible assets	719 061	1 023 132

31. COMMITMENTS AND CONTINGENCIES***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. In 2005 the Company purchased 6.0734 ha of the land, thus, decreasing the total area leased.

The total future rent payments are as follows:

Year	2005		2004	
	LVL	EUR	LVL	EUR
		0.702804		0.703
2006	12 191	17 346	15 024	21 371
2007 – 2010	48 765	69 386	60 096	85 485
Due after 2011	195 056	277 540	255 408	363 312
Total	256 012	364 272	330 528	470 168

Long – term purchase agreements

The Company has signed three long-term agreements for the purchase of raw materials:

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.

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The long-term agreement signed with Nordkalk JSC 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 2005 and is subject to automatic extension annually.

Construction and fixed asset purchase agreements

The Company has signed agreements for construction of a new plant on Cempu Street 13, Valmiera and purchases of fixed assets. The total amount of the agreements is LVL 10.9 million.

32. FINANCIAL RISK MANAGEMENT

Foreign Currency Risk

Approximately 20% of total sales in 2005 resulted from contracts denominated in USD. This arrangement exposes the Company's sales to foreign currency exchange risk, depending on the exchange rate between the reporting currency (LVL) and the USD.

Credit risk

The Company has developed a trade receivables management system to mitigate the risks related to unrecoverable receivables amounts. The finance management software (receivables module) generates automatic notifications on delays of repayment terms. Some of the trade receivables are insured by the insurance company "Hermes". The Company has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance. Invoices should be paid from 60 to 120 days after issuance date.

Interest rate risk

The Company has long-term loans with variable EURIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates. In 2006 and the following years the Company plans to mitigate the risk by buying interest rate cap.

Liquidity risk

The Company maintains sufficient cash funds at bank. If necessary the Company uses credit facilities to meet short-term obligations.

Fair values

The non-current loans are with variable interest rate. Other liabilities and financial assets are with maturity of less than one year, therefore in management's opinion there are no material difference between fair value and carrying value of the financial assets and liabilities.

33. SEGMENT REPORTING

The Company does not have an integrated internal reporting system by units, and accordingly no segment reporting is made. An analysis of the Company's geographical sales is presented in Note 19.

34. EMISSION RIGHTS

According to the decision No.270 of the Cabinet of Ministers of Republic of Latvia dated 27 April 2004 "Plan for distribution of emission quotas", the Company has received a free of charge allowance for emission of CO₂: 2005 – 31,398 quotas, 2006 – 31,398, 2007 – 38,887 (total 101,683 quotas). Actual emission in 2005

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amounted to 29,826 quotas, thus, there is a surplus in comparison to allowance of 1,572. The management intends to utilise these quotas in 2006 or 2007, to off-set against emissions of new production facility.

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