



A/S " VALMIERAS STIKLA ŠĶIEDRA "

No.OF reg,40003031676

Not audited
Financial report

31 Decenmer 2005
for 31 December 2004

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A/S VALMIERAS STIKLA ŠKIEDRA

BALANCE SHEETS

AS OF 31.december 2005 AND 31 December 2004

	Notes	2005 LVL	CURRENCYN EXNANGE RATE LVL on31.12.2005.	2004 LVL	CURRENCYN EXNANGE RATE on 31.12.2004.EUR
ASSETS					
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		326 346	464 349	564 514	803 007
Fixed assets					
Buildings		4 990 320	7 100 586	4 633 451	6 590 969
Equipment and machinery		13 706 597	19 502 730	10 947 903	15 573 119
Other fixed assets		472 842	672 794	343 669	488 861
Construction in progress		2 121 251	3 018 268	2 969 889	4 224 593
Advance payments for fixed assets		396 700	564 453	735 692	1 046 504
Total fixed assets		21 687 710	30 858 831	19 630 604	27 924 046
Total non-current assets		22 014 056	31 323 180	20 195 118	28 727 053
Current assets					
Inventory					
Raw materials		6 734 618	9 582 498	6 838 439	9 727 509
Work in process		2 360 142	3 358 180	1 440 937	2 049 697
Finished goods		3 681 943	5 238 933	2 510 611	3 571 282
Advance payments for goods		117 566	167 281	101 992	145 081
Total inventory		12 894 269	18 346 892	10 891 979	15 493 569
Accounts receivable					
Due from related parties		4 533 998	6 451 298	3 152 425	4 484 246
Other receivables		250 856	356 936	246 788	351 050
Deferred expenses		193 889	275 879	179 663	255 566
Total accounts receivable		4 978 743	7 084 113	3 578 876	5 090 862
Cash		243 753	346 829	373 286	530 990
Total current assets		18 116 765	25 777 834	14 844 141	21 115 421
TOTAL ASSETS		40 130 821	57 101 014	35 039 259	49 842 474

A/S VALMIERAS STIKLA ŠKIEDRA

BALANCE SHEETS

AS OF 30 SEPTEMBER 2004 AND 31 December 2003

	Notes	2005 LVL	CURRENCY EXNANGE RATE on 31.12.2004.EUR	2004 LVL	CURRENCY EXNANGE RATE on 31.12.2003.EUR
LIABILITIES & SHAREHOLDERS EQUITY			0.702804		0.703
Shareholders equity					
Share capital		23 903 205	34 011 197	23 903 205	34 001 714
Reserves:					
statutory 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		1 207 574	1 718 223	1 955 004	2 780 945
Total shareholders equity		28 005 549	39 848 306	27 682 393	39 377 515
Provisions					
Deferred tax		1 417 487	2 016 902	1 110 497	1 579 654
Other provisions		238 209	338 941	207 722	295 479
Total provisions		1 655 696	2 355 843	1 318 219	1 875 134
Non current liabilities					
Due to credit institutions		2 563 544	3 647 594	1 054 500	1 500 000
Finance lease		28 465	40 502	46 465	66 095
		2 592 009	3 688 097	1 100 965	1 566 095
Current liabilities					
Due to credit institutions		5 401 197	7 685 211	2 728 545	3 881 287
Lease obligations		17 986	25 592	17 986	25 585
Advance payments from customers		15 349	21 840	46 819	66 599
Trade payables		1 997 913	2 842 774	1 643 088	2 337 252
Taxes and social security payments		238 806	339 790	232 314	330 461
Other accounts payable		206 316	293 561	268 930	382 546
Total current liabilities		7 877 567	11 208 768	4 937 682	7 023 730
Total liabilities		10 469 576	14 896 865	6 038 647	8 589 825
TOTAL LIABILITIES & SHAREHOLDERS EQUITY		40 130 821	57 101 014	35 039 259	49 842 474

**STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDEN 31 DECEMBER 2005 AND 2004**

	2005 Annual average currency		Annual average currency	
	LVL	rate 2005 EUR 0.702804	LVL	rate 2004 EUR 0.703
Sales	32 688 396	46 511 397	26 771 724	38 082 111
Change in inventori value	2 090 538	2 974 568	336 624	478 839
Other operating income	148 646	211 504	275 819	392 346
Material expenses	(17 628 325)	(25 082 847)	(11 601 237)	(16 502 471)
Personnel expenses	(5 286 014)	(7 521 320)	(4 781 267)	(6 801 233)
Depreciation and amortization	(3 118 541)	(4 437 284)	(2 579 947)	(3 669 910)
Other operating expenses	(7 256 522)	(10 325 101)	(5 876 181)	(8 358 721)
Profit from operations	1 638 178	2 330 917	2 545 535	3 620 960
Interest income and similar income	61 641	87 707	1 667	2 371
Interest expense and similar expenses	(185 255)	(263 594)	(155 011)	(220 499)
Profit before taxes	1514564	2 155 030	2 392 191	3 402 832
Corporate income tax	(306 990)	(436 807)	(437 187)	(621 888)
Net profit	1207574	1 718 223	1955004	2 780 945
Basic earnings per share	0.0505		0.0818	

A/S "Valmieras stikla šķiedra "

**STATEMENTS OF SHARES EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

rate of exchange **0.702804**

	Share capital LVL	Statutory reserves LVL	Retained earnings LVL	Total LVL	Share capital EUR	Statutory reservesE UR	Retained earnings EUR	Total EUR
As of 31 December 2003	23 903 205	234 533	2 073 767	26 211 505	34 011 197	333 710	2 950 705	37 295 612
Dividends paid			(484 116)	(484 116)			(688 835)	(688 835)
Current year profit			1 955 004	1 955 004			2 781 720	2 781 720
As of 31 December 2004	23 903 205	234 533	3 544 655	27 682 393	34 011 197	333 710	5 043 590	39 388 497
Dividends paid			(884 418)	(884 418)			(1 258 413)	(1 258 413)
Current year profit			1 207 574	1 207 574			1 718 223	1 718 223
As of 31 December 2005	23 903 205	234 533	3 867 811	28 005 549	34 011 197	333 710	5 503 399	39 848 306

Andris Oskars Brutāns
Chairman of the Board

A/S VALMIERAS STIKLA SKIEDRA

STATEMENTS OF CASH FLOWS

	2005		2004	
	LVL	EUR	LVL	EUR
I OPERATING ACTIVITIES		0.702804		0.703
1. Profit before taxes	1 514 564	2 155 030	2 392 191	3 402 832
Adjustments:				
2. Depreciation and amortization	3 118 541	4 437 284	2 579 947	3 669 910
3. Depletion of precious metals	92 587	131 739	79 168	112 615
4. Provisions for vacations and bonuses for board and council members	173 500	246 868	141 453	201 213
5. Loss from disposal of fixed assets	64 261	(91 435)	(38 648)	(54 976)
6. Calculated interest income	(0 516)	(0 734)	(0 987)	(1 404)
7. Calculated interest expenses	171 524	244 057	56 427	80 266
Changes in operating assets and liabilities:				
1. Inventory	(2 002 290)	(2 849 002)	(1 368 176)	(1 946 196)
2. Accounts receivable	(1 991 831)	(2 834 120)	(747 771)	(1 063 686)
3. Accounts payable	267 233	380 238	630 046	896 225
Cash provided by operating activities	1 407 573	2 002 796	3 723 650	5 296 799
II INVESTING ACTIVITIES				
1. Purchase of fixed assets	(4 692 621)	(6 676 998)	(7 340 721)	(10 441 993)
2. Proceeds from sale of fixed assets	11 263	16 026	62 631	89 091
3. Received interest income	0 516	0 734	0 987	1 404
Net cash provided by / (used) financing activities	(4 680 842)	(6 660 238)	(7 277 103)	(10 351 498)
III FINANCING ACTIVITIES				
1. Received loan from credit institution	10 136 558	14 423 023	2 109 000	3 000 000
2. Paid credit institution	(7 995 282)	(11 376 261)		
3. Received credit line	38 094 964	54 204 250	10 863 095	15 452 482
4. Paid credit line	(36 054 544)	(51 300 994)	(9 189 050)	(13 071 195)
5. Paid finance lease	17 982	25 586	—	—
6. Dividends paid	(884 418)	(1 258 413)	(484 116)	(688 643)
7. Interest expenses paid	(171 524)	(244 057)	(50 070)	(71 223)
Net cash provided by / (used in) financing activities	3 143 736	4 473 133	3 248 859	4 621 421
Net decrease in cash	(129 533)	(184 309)	(304 594)	(433 277)
Cash at the beginning of the year	373 286	531 138	677 880	964 267
Cash at the end of the period	243 753	346 829	373 286	530 990

ANNEX

1. SHARE CAPITAL

The kompanys registered share capital as of 31.December 2005 and 2004 was LVL 23.903.205. The Company s paid share capital registered with the Enterprise Register as of 31.December 2005 and 2004 was 23.903.205 consisting of 23.897.455 ordinary shares with voting rights and 5.750 ordinari shares without voting rights. The nominal value of each share is LVL1.

As of 31.December 2005and 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%
Vitrulan Textilglas GmbH	30.8%	30.8%
Skandinaviska Enskilda Banken Ab	7.8%	6.5%
VAS VSAA	2.4%	2.4%
Nordea Bank Finland Plc	2.6%	2.8%
P.D.P.Fiberglass Consulting Ltd	4.6%	4.6%
Other	6.5%	7.6%
	100.00%	100.0%

2.INFORMATION FOR "PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2005	EUR	2004	EUR
	LVL	0.702804	LVL	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
Ore processing costs	264 424	376 241	237 135	337 319
Natural gas	764 983	1 088 473	671 197	954 761
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

2.PERSONNEL EXPENSES

Salaries	3 736 585	5 316 681	3 356 961	4 775 193
Social security payments	926 188	1 317 847	846 835	1 204 602
Illness and vacation expenses	387 236	550 987	373 764	531 670
Provisions for bonuses of Board and Council	173 500	246 868	142 340	—
Other	62 505	88 937	61 367	87 293
Total	5 286 014	7 521 320	4 781 267	6 801 233

3.DEPRECIATION AND AMORTIZATION

Fixed asset depreciation	2 829 960	4 026 670	2 298 060	3 268 933
Intangible asset amortization	288 581	410 614	281 887	400 977
Total	3 118 541	4 437 284	2 579 947	3 669 910

4.OTHER OPERATING EXPENSES

Transportation	2 378 448	3 384 227	1 857 223	1 327 955
Commission	1 980 253	2 817 646	1 536 940	2 186 259
Service costs	847 265	1 205 549	644 483	916 761
Repairs	639 903	910 500	483 481	687 740
Maintenance expenses	319 017	453 920	327 356	465 656
Insurance	223 960	318 666	237 434	337 744
Business trips	179 343	255 182	205 069	291 706
Expenses relating to personnel	100 475	142 963	106 830	151 963
Communications	77 970	110 941	93 434	132 908
Leasing	69 767	99 269	72 150	102 632
Property tax	57 636	82 009	52 203	74 257
Office expenses	56 977	81 071	49 027	69 740
Selling expenses	56 727	80 715	38 983	55 452
Increase in doubtful debts	—	—	2 805	3 990
Other	268 781	382 441	168 763	240 061
Total	7 256 522	10 325 101	5 876 181	8 358 721

3. TRADE RECEIVABLES

	2005	EUR	2004	EUR
LVL		0.702804		0.703
P-D Glasseiden Oschatz GmbH	2 601 178	3 701 143	2 306 765	3 281 316
P-D Aitec GmbH	4 369	6 217	91 520	130 185
Vitrolan Textilglas GmbH	193 993	276 027	36 905	52 496
P-D Glasfaser Brattendorf GmbH	—		15 541	22 107
Other trade receivables	1 734 458	2 467 911	701 694	998 142
	4 533 998	6 451 298	3 152 425	4 484 246

Andris Oskars Brutāns

Chairman of the Board