



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

Not audited

Financial report

as at 31.march 2007

as at 31.march 2006

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
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: Andris Bērziņš Hans Peter Cordts Guntis Strazds Aivars Lošmanis

TABLE OF CONTENTS

MANAGEMENT REPORT	4
BALANCE SHEET	5-6
STATEMENT OF PROFIT AND LOSS	7
STATEMENT OF CASH FLOWS	8
STATEMENT OF SHAREHOLDERS' EQUITY	9
ANNEX	10-11

MANAGEMENT REPORT

The Company's primary business is the manufacture and sale of fibreglass products. The Company has been operating in international fibreglass market for 14 years; in 2007 the production was sold in 29 countries. 70% of total production is sold to European Union companies.

Since 2000 the Company operates in accordance with DIN EN 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 the first 3 months of 2007, the Company's sales amounted to LVL 9 431 million compared to 2006 when the sales were LVL 8 382 million. The net sales increase is LVL 1 049 million or 12,5%. The sales increase is related to the increase in turnover and number of customers Europe. The sales increase was caused by the successful operation of fibreglass manufacturing plants, the high qualification of employees, new product development, improvement of production and sales processes.

During 2007, the Company has invested LVL 1,8 million in fixed assets to increase the manufacturing capacity.

The table below shows the fibreglass products, which were produced in 2007, and their respective share of total fibreglass sales:

Fibreglass nets and ravings	35%
Fibreglass fabrics	53%
Other	12%

The net profit for the first 3 months of 2007 was LVL 0 477 million which is an increase of LVL 0 108 million or 29,3% end by LVL 0 011 million or 1,9% less than planned compared to 2006.

The net profit for the first 3 months of 2007 has increased there of has increased companies net sales amount and actual costs were less than planned.

The share value of A/S Valmieras Stikla Šķiedra listed in Riga Stock Exchange decreased by LVL 0,26 or 11,0%, i.e., from LVL 2.36 as of 30 December 2006 to LVL 2.10 as of 31.03.2007.

As of March 31, 2007, the share capital of JSC Valmieras Stikla Šķiedra was LVL 23 903 205.

During 2007, 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.

The Company's budgeted sales for 2007 are LVL 44 301 million, net profit- LVL 1 445 million. In 2008 the Company plans sales of LVL 54 million, and have profit of LVL 3.2 million.

Total budgeted investments for 2007 equal LVL 1.2 million.

The unrevised abridged financial statement for I quarter of year 2007 preparation were used revised year 2006 statement accounting policy.

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 march 2007 AND 31 December 2006

	31.03.2007		31.03.2006	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
ASSETS				
<i>Non-current assets</i>				
<i>Intangible assets</i>				
Patents and licenses	64 711	92 075	82 747	117 738
Other intangible assets			181 294	257 958
Total intangible assets	64 711	92 075	264 041	375 696
<i>Fixed assets</i>				
Buildings	11 265 366	16 029 172	4 951 731	7 045 678
Equipment and machinery	28 942 877	41 182 004	13 691 751	19 481 607
Other fixed assets	584 869	832 194	433 329	616 572
Construction in progress	120 307	171 181	3 259 964	4 638 511
Advance payments for fixed assets	1 510 923	2 149 850	1 158 036	1 647 737
Total fixed assets	42 424 342	60 364 400	23 494 811	33 430 105
Total non-current assets	42 489 053	60 456 476	23 758 852	33 805 801
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	6 588 447	9 374 516	7 159 495	10 187 044
Work in process	2 375 066	3 379 414	1 927 492	2 742 574
Finished goods	2 517 988	3 582 774	4 241 602	6 035 256
Advance payments for goods	69 624	99 066	62 190	88 488
Total inventory	11 551 125	16 435 770	13 390 779	19 053 362
<i>Accounts receivable</i>				
Due from related parties	5 817 622	8 277 730	6 336 691	9 016 299
Other receivables	223 089	317 427	442 327	629 375
Deferred expenses	372 562	530 108	158 988	226 220
Total accounts receivable	6 413 273	9 125 265	6 938 006	9 871 893
Cash	527 039	749 909	199 568	283 960
Total current assets	18 491 437	26 310 945	20 528 353	29 209 215
TOTAL ASSETS	60 980 490	86 767 420	44 287 205	63 015 016

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 March 2007 AND 31 December 2006

	31.03.2007		31.03.2006	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
LIABILITIES & SHAREHOLDERS EQUITY				
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 541 137	6 461 456	4 132 198	5 879 588
b) current year profit	477 035	678 760	368 944	524 960
Total shareholders' equity	28 921 377	41 151 412	28 404 347	40 415 745
Liabilities				
Non-current liabilities				
Due to credit institutions	25 300 919	35 999 964	5 314 121	7 561 313
Finance lease	5 988	8 520	26 967	38 371
Deferred tax	750 552	1 067 939	1 492 252	2 123 283
Total non-current liabilities	26 057 459	37 076 424	6 833 340	9 722 967
Current liabilities				
Due to credit institutions	3 182 315	4 528 026	5 469 132	7 781 874
Finance lease	17 986	25 592	14 990	21 329
Advance payments from customers	23 839	33 920	20 576	29 277
Trade payables	1 880 592	2 675 841	2 669 648	3 798 567
Taxes and social security payments	219 686	312 585	239 727	341 101
Other accounts payable	241 326	343 376	189 865	270 154
Accrued liabilities	301 880	429 537	445 580	634 003
Deferred income	1 200	1 707		
Derivatives	132 830	189 000		
Total current liabilities	6 001 654	8 539 584	9 049 518	12 876 304
Total liabilities	32 059 113	45 616 008	15 882 858	22 599 271
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	60 980 490	86 767 420	44 287 205	63 015 016

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 March 2007 AND 31 March 2006

	31.03.2007		31.03.2006	
	LVL	EUR 0.702804	LVL	EUR 0.702804
Revenues	9 430 966	13 419 056	8 381 828	11 926 267
Changes in inventories				
Work performed by the entity and capitalised	(178 225)	(253 591)	125 330	178 329
Other operating income	150 028	213 471	87 249	124 144
Raw materials and consumables	(4 076 105)	(5 799 775)	(4 128 114)	(5 873 777)
Personnel expenses	(1 528 494)	(2 174 851)	(1 374 186)	(1 955 291)
Depreciation and amortization	(1 285 106)	(1 828 541)	(791 883)	(1 126 748)
Other operating expenses	(1 685 989)	(2 398 946)	(1 676 332)	(2 385 206)
Profit from operations	827 075	1 176 822	623 892	887 718
Interest - and similar income	317	451	90	128
Interest - and similar expenses	(286 691)	(407 925)	(105 038)	(149 456)
Profit before taxes	540 701	769 348	518 944	738 391
Corporate income tax	(63 666)	(90 589)	(150 000)	(213 431)
Net profit	477 035	678 760	368 944	524 960
Basic earnings per share	0.0023	0.0033	0.0154	0.0219

A/S VALMIERAS STIKLA SKIEDRA

STATEMENTS OF CASH FLOWS	2007 Year 3 months		2006 Year 3 months	
	LVL	EUR	LVL	EUR
I OPERATING ACTIVITIES		0.702804		0.702804
1. Profit before taxes	540 701	769 348	584 716	831976
Adjustments:				
2. Depreciation and amortization	1 285 106	1 828 541	791 883	1126748
3. Depletion of precious metals	32 602	46 388	28 646	40760
4. Provisions for vacations and bonuses for board and council members	116 300	165 480	62 600	89072
5. Loss from disposal of fixed assets	8 862	12 609	(12 681)	(18 043)
6. Calculated interest income	(0 195)	(0 277)	(0 090)	(0 128)
7. Calculated interest expenses	313 103	445 505	44 050	62678
8. Changes in fair value of derivatives	(42 851)	(60 971)		
Changes in operating assets and liabilities:				
1. Inventory	18 049	25 681	(304 719)	(433 576)
2. Accounts receivable	(991 709)	(1 411 075)	(1 958 961)	(2 787 350)
3. Accounts payable	(1 753 238)	(2 494 633)	410 276	583770
Cash provided by operating activities	(473 270)	(673 403)	(354 280)	(504 095)
II INVESTING ACTIVITIES				
1. Repaid loan	(934 742)	(1 330 018)	(2 519 260)	(3 584 584)
2. Received credit line	134 136	190 858	59 298	84 373
3. Paid credit line	195	277	90	128
Net cash provided by /(used) financing activities	(800 411)	(1 138 882)	(2 459 872)	(3 500 083)
III FINANCING ACTIVITIES				
1. Received loans from credit institution			2 750 577	3 913 718
2. Repaid loan			(562 244)	(800 001)
3. Received kredit	9 463 819	13 465 801	12 034 150	17 123 053
4. Paid credit line	(7 913 418)	(11 259 779)	(11 403 971)	(16 226 389)
5. Paid finance lease	(4 495)	(6 396)	(4 495)	(6 396)
6. Interest expenses paid	(313 103)	(445 505)	(44 050)	(62 678)
Net cash provided by/(used in) financing activities	1 232 803	1 754 121	2 769 967	3 941 308
Net decrease in cash	(40 878)	(58 164)	(44 185)	(62 870)
Cash at the beginning of the year	567 917	808 073	243 753	346 829
Cash at the end of the period	527 039	749 909	199 568	283 960

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity
In 3 months of 2007

	rate of exchange				0.702804	0.702804	0.702804	0.702804
	Share capital LVL	Statutory reserves LVL	Retained earnings LVL	Total LVL	Share capital EUR	Statutory reserves EUR	Retained earnings EUR	Total EUR
As of 31 march 2005	23 903 205	234 533	4 251 410	28 389 148	34 011 197	333 710	6 049 211	40 394 118
Dividends paid			(884 418)	(884 418)			(1 258 413)	(1 258 413)
Current IV-XII 2005 profit		(234 533)	765 206	530 673		(333 710)	1 088 790	755 080
AS of 31 december 2005	23 903 205	0	4 132 198	28 035 403	34 011 197	0	5 879 588	39 890 785
Current 3 Months 2006 profit			368 944	368 944			524 960	524 960
Dividends paid			(310 742)	(310 742)			(442 146)	(442 146)
Current IV-XII 2006 profit			350 737	350 737			499 054	499 054
As of 31 march 2006	23 903 205	0	4 541 137	28 444 342	34 011 197	0	6 461 456	40 472 653
Current 3 Months 2007 profit			477 035	477 035			678 760	678 760
As of 31 march 2007	23 903 205	0	5 018 172	28 921 377	34 011 197	0	7 140 216	41 151 413

Andris Oskars Brutāns
 Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 31 March 2007 and 2006 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 31 December 2005 and 2004 was 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 at 31 March 2007 and 2006 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2007	2006
	3 Months	3 Months
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrulan Textilglas GmbH	30.8%	30.8%
Skandinaviska Enskilda Banken Ab	3.3%	7.6%
VAS VSAA	2.4%	2.4%
Nordea Bank Finland Plc	4.0%	2.6%
P.D.P.Fiberglass Consulting Ltd.	4.6%	4.6%
Braune Beatrix	2.6%	0.2%
Other	7.0%	6.5%
	100.0%	100.0%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2007		2006	
	3 Months		3 Months	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Raw materials	2 929 274	4 167 981	3 277 870	4 663 989
Electricity	460 032	654 567	304 927	433 872
Ore processing costs	96 578	137 418	76 405	108 715
Natural gas	466 810	664 211	302 139	429 905
Depletion of ore	32 602	46 388	28 645	40 758
Other	90 809	129 210	138 128	196 538
Total	4 076 105	5 799 775	4 128 114	5 873 777

2. PERSONNEL EXPENSES

Salaries	1 096 645	1 560 385	992 150	1 411 702
Social security payments	251 259	357 509	232 259	330 475
Illness and vacation expenses	82 586	117 509	74 058	105 375
Provisions for bonuses of Board and Council	90 400	128 628	62 600	89 072
Other	17 604	25 048	13 119	18 667
Total	1 538 494	2 189 080	1 374 186	1 955 291

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	1 279 366	1 820 374	718 742	1 022 678
Intangible asset amortisation	5 740	8 167	73 141	104 070
Total	1 285 106	1 828 541	791 883	1 126 748

4. OTHER OPERATING EXPENSES

Transportation	524 709	746 594	602 130	856 754
Commission	486 271	691 901	459 140	653 297
Service costs	177 061	251 935	186 279	265 051
Repairs	113 798	161 920	92 703	131 904
Maintenance expenses	74 071	105 394	50 407	71 723
Insurance	53 570	76 223	58 411	83 111
Business trips	27 608	39 283	37 682	53 617
Expenses relating to personnel	19 779	28 143	27 886	39 678
Communications	12 782	18 187	13 787	19 617

	2007		2006	
	3 months		3 months	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Leasing	12 953	18 430	12 117	17 241
Property tax	1 093	1 555	12 900	18 355
Office expenses	10 442	14 858	12 214	17 379
Selling expenses	4 402	6 263	12 941	18 413
Increase in doubtful debts	2 100	2 988	7 500	10 672
Other	165 352	235 275	90 235	128 393
Total	1 685 991	2 398 949	147 907	210 453

3. TRADE RECEIVABLES

	2007		2006	
	3 months		3 months	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
P-D Glasseiden Oschatz GmbH	2 988 699	4 252 536	3 336 137	4 746 895
P-D Aitec GmbH	42 272	60 148	76 618	109 018
Vitrolan Textilglas GmbH	531 759	756 625	569 386	810 163
P-D Glasfaser Brattendorf GmbH				
Other trade receivables	2 254 892	3 208 422	2 354 550	3 350 223
	5 817 622	8 277 730	6 336 691	9 016 299

Andris Oskars Brutāns

Chairman of the Board