



**JSC "VALMIERAS STIKLA ŠĶIEDRA"**

Reg.No. 40003031676

NOT AUDITED

Financial report

as at 30.Juny 2007

as at 30.Juny 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

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## MANAGEMENT REPORT

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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 6 months of 2007, the Company's sales amounted to LVL 18.906 million compared to 2006 when the sales were LVL 18.273 million. The net sales increase is LVL 633 million or 3,5%. 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 2.1 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	38%
Fibreglass fabrics	56%
Other	6%

The net profit for the first 6 months of 2007 was LVL 0.755 million which is an increase of LVL 0.44 million or 139.2% end by LVL 0.014 million or 1,9% less than planned compared to 2007

The net profit for the first 6 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 30.06.2007.

According to a decision made during the shareholders meeting on 11. May 2007, a part of the net profit for 2006 was paid out as dividends to the Company's shareholders. The dividends amounted to 0.7 santimes per share.

As of June 30. 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 38.79 million, net profit- LVL 0.700 million.

Total budgeted investments for 2007 into fixed assets and modernization equal LVL 1.2 million.

The unrevised abridged financial statement for 6 months of year 2007 preparation were used revised year 2006 statement accounting policy.

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 june 2007 AND 30 june 2006

	2007	CURRENCY	2006	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/06 /2007EUR		on30/06 /2006EUR
<b>ASSETS</b>				
<i>Non-current assets</i>		<b>0.702804</b>		<b>0.702804</b>
<i>Intangible assets</i>				
Patents and licenses	64 159	91 290	77 879	110 812
Other intangible assets			113 309	161 224
<b>Total intangible assets</b>	<b>64 159</b>	<b>91 290</b>	<b>191 188</b>	<b>272 036</b>
<i>Fixed assets</i>				
Land and buildings	11 716 705	16 671 369	5 190 420	7 385 302
Equipment and machinery	28 199 617	40 124 440	13 311 546	18 940 624
Other fixed assets	537 696	765 072	399 329	568 194
Construction in progress	615 224	875 385	4 936 716	7 024 314
Advance payments for fixed assets	1 313 217	1 868 539	3 441 879	4 897 353
<b>Total fixed assets</b>	<b>42 382 459</b>	<b>60 304 806</b>	<b>27 279 890</b>	<b>38 815 786</b>
<b>Total non-current assets</b>	<b>42 446 618</b>	<b>60 396 096</b>	<b>27 471 078</b>	<b>39 087 822</b>
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	6 715 879	9 555 835	7 230 678	10 288 328
Work in progress	2 369 736	3 371 831	2 070 889	2 946 610
Finished goods	2 573 030	3 661 092	3 114 161	4 431 052
Advance payments for inventories	103 180	146 812	135 207	192 382
<b>Total inventory</b>	<b>11 761 825</b>	<b>16 735 569</b>	<b>12 550 935</b>	<b>17 858 372</b>
<i>Accounts receivable</i>				
Trade receivables	6 165 867	8 773 238	6 418 809	9 133 142
Other receivables	261 673	372 327	448 079	637 559
Deferred expenses	401 497	571 279	112 480	160 045
<b>Total accounts receivable</b>	<b>6 829 037</b>	<b>9 716 844</b>	<b>6 979 368</b>	<b>9 930 746</b>
Cash and cash equivalents	302 880	430 959	174 188	247 847
<b>Total current assets</b>	<b>18 893 742</b>	<b>26 883 373</b>	<b>19 704 491</b>	<b>28 036 965</b>
<b>TOTAL ASSETS</b>	<b>61 340 360</b>	<b>87 279 469</b>	<b>47 175 569</b>	<b>67 124 787</b>

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 Juny 2007 AND 30 Juny 2006

	2007	CURRENCY	2006	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/06 2007 EUR		on 30/06 2006 EUR
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>		<b>0.702804</b>		<b>0.702804</b>
<b>Shareholders' equity</b>				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 373 814	6 223 377	3 821 456	5 437 442
b) current year profit	755 438	1 074 891	315 761	449 287
<b>Total shareholders' equity</b>	<b>29 032 457</b>	<b>41 309 465</b>	<b>28 040 422</b>	<b>39 897 926</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	25 300 919	35 999 964	9 605 228	13 667 008
Finance lease	1 493	2 124	19 475	27 710
Deferred tax	756 552	1 076 477	1 522 253	2 165 971
<b>Total non-current liabilities</b>	<b>26 058 964</b>	<b>37 078 565</b>	<b>11 146 956</b>	<b>15 860 689</b>
<b>Current liabilities</b>				
Due to credit institutions	3 072 320	4 371 518	4 935 202	7 022 160
Finance lease	17 986	25 592	17 986	25 592
Advance payments from customers	51 731	73 607	23 047	32 793
Trade payables	2 352 979	3 347 987	2 055 846	2 925 205
Taxes and social security payments	207 705	295 538	205 312	292 133
Other accounts payable	215 474	306 592	208 716	296 976
Accrued liabilities	153 200	217 984	376 701	535 997
Deferred	8 200	11 668		
Derivatives	82 481	117 360		
Dividend for the financial year	86 863	123 595	165 381	235 316
<b>Total current liabilities</b>	<b>6 248 939</b>	<b>8 891 439</b>	<b>7 988 191</b>	<b>11 366 172</b>
<b>Total liabilities</b>	<b>32 307 903</b>	<b>45 970 004</b>	<b>19 135 147</b>	<b>27 226 861</b>
<b>TOTAL LI</b>	<b>61 340 360</b>	<b>87 279 469</b>	<b>47 175 569</b>	<b>67 124 787</b>

**JSC VALMIERAS STIKLA ŠKIEDRA**

**STATEMENT OF PROFIT AND LOSS**

**FOR THE YEARS ENDED 30 June 2007 AND 30 June 2006**

	30.06.2007		30.06.2006	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	18 906 310	26 901 256	18 273 172	26 000 381
Changes in inventories	(128 513)	(182 858)	(858 714)	(1 221 840)
Other operating income	191 611	272 638	135 263	192 462
Raw materials and consumables	(8 523 629)	(12 128 031)	(8 694 643)	(12 371 362)
Personnel expenses	(3 119 977)	(4 439 327)	(2 856 308)	(4 064 160)
Depreciation and amortization	(2 609 930)	(3 713 596)	(1 649 094)	(2 346 449)
Other operating expenses	(3 347 915)	(4 763 654)	(3 582 845)	(5 097 929)
<b>Profit from operations</b>	<b>1 367 957</b>	<b>1 946 427</b>	<b>766 831</b>	<b>1 091 102</b>
Interest - and similar income	723	1 029	411	585
Interest - and similar expenses	(543 576)	(773 439)	(271 481)	(386 283)
<b>Profit before taxes</b>	<b>825 104</b>	<b>1 174 017</b>	<b>495 761</b>	<b>705 404</b>
Corporate income tax	(69 666)	(99 126)	(180 000)	(256 117)
<b>Net profit</b>	<b>755 438</b>	<b>1 074 891</b>	<b>315 761</b>	<b>449 287</b>
<b>Basic earnings per share</b>	<b>0.0316</b>	<b>0.0450</b>	<b>0.0132</b>	<b>0.0188</b>

A/S VALMIERAS STIKLA SKIEDRA

<i>STATEMENTS OF CASH FLOWS</i>	2007 Year	2007 Year	2006 Year	2006 Year
	6 months	6 months	6 months	6 months
	LVL	EUR	LVL	EUR
<b><i>I OPERATING ACTIVITIES</i></b>		<b>0.702804</b>		<b>0.702804</b>
1. Profit before taxes	825 104	1 174 017	495 761	705 404
Adjustments:				
2. Depreciation and amortization	2 609 930	3 713 596	1 649 094	2 346 449
3. Depletion of precious metals	64 419	91 660	56 647	80 601
4. Accruals for vacations and bonuses for board and council members	62 500	88 929	126 000	179 282
5. Profit or loss from disposal of fixed assets	8 035	11 433	(17 055)	(24 267)
6. Calculated interest income	(0 723)	(1 029)	(0 362)	(0 515)
7. Calculated interest expenses	563 880	802 329	93 922	133 639
8. Changes in fair value of derivatives	(93 200)	(132 612)		
<b>Changes in operating assets and liabilities:</b>				
1. Inventory	(192 651)	(274 118)	535 125	761 414
2. Accounts receivable	(1 407 473)	(2 002 654)	(2 000 323)	(2 846 203)
3. Accounts payable	(1 290 792)	(1 836 632)	87 254	124 151
<b>Cash provided by operating activities</b>	<b>1 149 029</b>	<b>1 634 921</b>	<b>1 026 063</b>	<b>1 459 956</b>
<b><i>II INVESTING ACTIVITIES</i></b>				
1. Purchase of fixed assets	(2 342 608)	(3 333 231)	(7 677 246)	(10 923 737)
2. Proceeds from sale of fixed assets	140 744	200 261	66 150	94 123
3. Received interest income	0 723	1 029	0 362	0 515
<b>Net cash used in investing activities</b>	<b>(2 201 141)</b>	<b>(3 131 941)</b>	<b>(7 610 734)</b>	<b>(10 829 099)</b>
<b><i>III FINANCING ACTIVITIES</i></b>				
1. Received loans from credit institution	–	–	7 642 045	10 873 650
2. Paid loans to credit institution	–	–	(1 466 583)	(2 086 760)
3. Received credit line	18 912 378	26 909 890	24 135 420	34 341 609
4. Paid credit line	(17 471 972)	(24 860 376)	(23 735 193)	(33 772 137)
5. Finance lease payments	(8 991)	(12 793)	(8 991)	(12 793)
6. Dividends paid	(80 460)	(114 484)	(145 360)	(206 829)
7. Interest expenses paid	-563 880	-802 329	93 768	133 420
<b>Net cash provided by financing activities</b>	<b>787 075</b>	<b>1 119 907</b>	<b>6 515 106</b>	<b>9 270 161</b>
<b>Net decrease in cash</b>	<b>(265 037)</b>	<b>(377 114)</b>	<b>(69 565)</b>	<b>(98 982)</b>
Cash and cash equivalents at the beginning of the year	567 917	808 073	243 753	346 829
<b>Cash and cash equivalents at the end of the period</b>	<b>302 880</b>	<b>430 959</b>	<b>174 188</b>	<b>247 847</b>



A/S "Valmieras stikla šķiedra "

*Statements of shareholders' equity*  
*In 6 months of 2007*

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rate of exchange 0.702804

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
<b>AS of 31 december 2005</b>	<b>23 903 205</b>	<b>4 132 198</b>	<b>28 035 403</b>	<b>34 011 197</b>	<b>5 879 588</b>	<b>39 890 785</b>
Current 6 Months 2006 profit		315 761	315 761		449 287	449 287
Dividends paid		(310 742)	(310 742)		(442 146)	(442 146)
Current VII-XII 2006 profit		403 920	403 920		574 726	574 726
<b>AS of 31 december 2006</b>	<b>23 903 205</b>	<b>4 541 137</b>	<b>28 444 342</b>	<b>34 011 197</b>	<b>6 461 456</b>	<b>40 472 652</b>
Current 6 Months 2007 profit		755 438	755 438		1 074 891	1 074 891
Dividends paid		(80 460)	(80 460)		(114 484)	(114 484)
Unpaid dividends		(86 863)	(86 863)		(123 595)	(123 595)
Current of 30 jūny 2007	<b>23 903 205</b>	<b>5 129 252</b>	<b>29 032 457</b>	<b>34 011 197</b>	<b>7 298 268</b>	<b>41 309 465</b>

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Andris Oskars Brutāns  
Chairman of the Board

## ANNEX

### 1. SHARE CAPITAL

The company's registered share capital as at 30 June 2007 and 2006 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30 June 2007 and 2006 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 30 June 2007 and 2006 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	<b>2007</b> <b>6 Months</b>	<b>2006</b> <b>6 Months</b>
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrulan Textilglas GmbH	30.8%	30.8%
Skandinaviska Enskilda Banken Ab	2.9%	4.4%
VAS VSAA	2.4%	2.4%
Nordea Bank Finland Plc	4.0%	3.9%
P.D.P.Fiberglass Consulting Ltd.	4.6%	4.6%
Braune Beatrix	2.6%	2.0%
Other	7.4%	6.6%
	<b>100.00%</b>	<b>100.00%</b>

### 2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

#### 1. MATERIAL EXPENSES

	<b>2007</b> <b>6 Months</b>	<b>EUR</b>	<b>2006</b> <b>6 Months</b>	<b>EUR</b>
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
Raw materials	6 150 898	8 751 939	6 866 343	9 769 926
Electricity	930 621	1 324 154	627 049	892 210
Ore processing costs	199 201	283 437	149 174	212 255
Natural gas	913 736	1 300 129	543 696	773 610
Depletion of ore	64 419	91 660	56 647	80 601
Other	264 754	376 711	451 734	642 760
<b>Total</b>	<b>8 523 629</b>	<b>12 128 031</b>	<b>8 694 643</b>	<b>12 371 362</b>

#### 2. PERSONNEL EXPENSES

Salaries	2 260 346	3 216 183	1 913 758	2 723 032
Social security payments	540 187	768 617	498 513	709 320
Illness and vacation expenses	222 702	316 876	201 582	286 825
Provisions for bonuses of Board and Council	62 500	88 929	119 500	170 033
Other	34 242	48 722	122 955	174 949
<b>Total</b>	<b>3 119 977</b>	<b>4 439 327</b>	<b>2 856 308</b>	<b>4 064 160</b>

#### 3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	2 598 321	3 697 078	1 502 439	2 137 778
Intangible asset amortisation	11 609	16 518	146 655	208 671
<b>Total</b>	<b>2 609 930</b>	<b>3 713 596</b>	<b>1 649 094</b>	<b>2 346 449</b>

#### 4. OTHER OPERATING EXPENSES

Transportation	1 085 104	1 543 964	1 322 672	1 881 993
Commission	948 488	1 349 577	1 043 746	1 485 117
Service costs	383 255	545 323	389 724	554 527
Repairs	227 716	324 011	179 337	255 174
Maintenance expenses	174 617	248 458	97 344	138 508
Insurance	94 616	134 626	113 705	161 788
Business trips	67 772	96 431	79 791	113 532
Expenses relating to personnel	41 073	58 442	45 886	65 290
Communications	26 588	37 831	32 103	45 678
Leasing	27 785	39 534	28 024	39 875
Property tax	16 757	23 843	30 537	43 450
Office expenses	19 162	27 265	21 578	30 703
Selling expenses	14 537	20 684	27 898	39 695
Increase in doubtful debts	2 100	2 988	12 500	17 786
Other	218 342	310 673	158 000	224 814
<b>Total</b>	<b>3 347 912</b>	<b>4 763 650</b>	<b>3 582 845</b>	<b>5 097 929</b>

### 3. TRADE RECEIVABLES

	<b>2007</b>	<b>EUR</b>	<b>2006</b>	<b>EUR</b>
	<b>6 months</b>		<b>6 months</b>	
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
P-D Glasseiden Oschatz GmbH	2 960 345	4 212 191	3 126 549	4 448 678
P-D Aitec GmbH	23 918	34 032	85 882	122 199
Vitrolan Textilglas GmbH	620 968	883 558	659 598	938 523
Other trade receivables	2 560 636	3 643 457	2 546 780	3 623 741
	<b>6 165 867</b>	<b>8 773 238</b>	<b>6 418 809</b>	<b>9 133 142</b>

**Andris Oskars Brutāns**

Chairman of the Board