



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

Not audited

Financial report

as at 30.September 2007

as at 30.September 2006

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, No. 40003031676 PLACE AND DATE	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

The Company's primary business is the manufacture and sale of fibreglass products. The Company has been operating in international fibreglass market for 12 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 9 months of 2007, the Company's sales amounted to LVL 28 701 million compared to 2006 when the sales were LVL 26 928 million. The net sales increase is LVL 1 773 million or 6.6%. The sales increase is related to the increase in turnover and number of customers in 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 4.1 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 rovings	35%
Fibreglass fabrics	58%
Other	7%

The net profit for the 9 months of 2007 was 0 443 million LVL which compared to year 2006 has increased for 0 402 million LVL or 982.2% and for 0 800 million LVL or 64.0% less than planned.

The net profit for the 9 months of 2007 is less because income from the net sales amount is less than planned by 5 060 million LVL, as well as has increased production cost due to increase of energy resources, labor cost and purchased semi-manufactured product density.

The share value of A/S Valmieras Stikla Šķiedra listed in Riga Stock Exchange decreased by LVL 0.62 or 26.3%, i.e., from LVL 2.36 as of 30 December 2006 to LVL 1.74 as of 30.09.2007.

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 September 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 million, net profit - LVL 0.2 million.

Total budgeted investments for 2007 into fixed assets and modernization equal LVL 4 500 million.

The unrevised abridged financial statement for 9 months of year 2007 preparation were used revised year 2006 statement accounting policy.

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 september 2007 AND 30 september 2006

	2007	CURRENCY	2006	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/09/2007EUR		on30/09/2006EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	58 510	83 252	72 445	103 080
Other intangible assets			45 324	64 490
Total intangible assets	58 510	83 252	117 769	167 570
<i>Fixed assets</i>				
Land and buildings	11 579 297	16 475 855	5 132 226	7 302 500
Equipment and machinery	28 031 616	39 885 396	12 808 723	18 225 171
Other fixed assets	538 021	765 535	366 576	521 591
Construction in progress	1 413 911	2 011 814	14 506 267	20 640 558
Advance payments for fixed assets	1 567	2 230	4 269 567	6 075 047
Total fixed assets	41 564 412	59 140 830	37 083 359	52 764 866
Total non-current assets	41 622 922	59 224 082	37 201 128	52 932 436
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	6 893 790	9 808 979	6 751 189	9 606 077
Work in progress	2 556 368	3 637 384	1 900 720	2 704 481
Finished goods	2 879 958	4 097 811	2 905 120	4 133 613
Advance payments for inventories	142 222	202 364	134 072	190 767
Total inventory	12 472 338	17 746 538	11 691 101	16 634 938
<i>Accounts receivable</i>				
Trade receivables	5 705 155	8 117 704	5 635 377	8 018 419
Other receivables	275 158	391 515	374 274	532 544
Deferred expenses	304 462	433 210	277 005	394 143
Total accounts receivable	6 284 775	8 942 429	6 286 656	8 945 106
Cash and cash equivalents	380 399	541 259	768 654	1 093 696
Total current assets	19 137 512	27 230 226	18 746 411	26 673 740
TOTAL ASSETS	60 760 434	86 454 309	55 947 539	79 606 176

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 september 2007 AND 30 september 2006

	2007	CURRENCY	2006	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/09 2007 EUR		on 30/09 2006 EUR
LIABILITIES & SHAREHOLDERS EQUITY		0.702804		0.702804
Shareholders' equity				
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	442 714	629 925	40 868	58 150
Total shareholders' equity	28 719 733	40 864 498	27 765 529	39 506 789
Liabilities				
Non-current liabilities				
Due to credit institutions	25 300 919	35 999 964	20 537 902	29 222 802
Finance lease	10 847	15 434	14 979	21 313
Deferred tax	706 552	1 005 333	1 492 253	2 123 285
Total non-current liabilities	26 018 318	37 020 731	22 045 134	31 367 400
Current liabilities				
Due to credit institutions	2 678 463	3 811 109	2 952 146	4 200 525
Finance lease	23 245	33 075	17 986	25 592
Advance payments from customers	24 403	34 722	21 281	30 280
Trade payables	2 497 965	3 554 284	2 373 779	3 377 583
Taxes and social security payments	225 733	321 189	184 134	261 999
Other accounts payable	233 271	331 915	177 610	252 716
Accrued liabilities	276 800	393 851	409 940	583 292
Deferred	8 200	11 668		
Derivatives	18 976	27 000		
Dividend for the financial year	35 327	50 266		
Total current liabilities	6 022 383	8 569 079	6 136 876	8 731 988
Total liabilities	32 040 701	45 589 810	28 182 010	40 099 388
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	60 760 434	86 454 309	55 947 539	79 606 176

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 30 SEPTEMBER 2007 AND 30 SEPTEMBER 2006

	30.09.2007		30.09.2006	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	28 701 191	40 838 116	26 927 597	38 314 519
Changes in inventories	365 047	519 415	(1 237 924)	(1 761 407)
Other operating income	213 760	304 153	170 402	242 460
Raw materials and consumables	(13 658 633)	(19 434 484)	(13 264 141)	(18 873 172)
Personnel expenses	(4 920 607)	(7 001 393)	(4 192 191)	(5 964 950)
Depreciation and amortization	(4 064 407)	(5 783 130)	(2 483 617)	(3 533 869)
Other operating expenses	(5 197 690)	(7 395 647)	(5 322 779)	(7 573 632)
Profit from operations	1 438 661	2 047 030	597 347	849 948
Interest - and similar income	6228	8 862	1212	1 725
Interest - and similar expenses	(982 509)	(1 397 984)	(391 089)	(556 470)
Profit before taxes	462 380	657 907	207 470	295 203
Corporate income tax	(19 666)	(27 982)	(166 602)	(237 053)
Net profit	442 714	629 925	40 868	58 150
Basic earnings per share	0.0185	0.0264	0.0611	0.0869

A/S VALMIERAS STIKLA SKIEDRA

<i>STATEMENTS OF CASH FLOWS</i>	2007 Year	2007 Year	2006 Year	2006 Year
	9 months	9 months	9 months	9 months
	LVL	EUR	LVL	EUR
<i>I OPERATING ACTIVITIES</i>		0.702804		0.702804
1. Profit before taxes	462 380	657 907	207 470	295 203
Adjustments:				
2. Depreciation and amortization	4 920 607	7 001 393	2 483 617	3 533 869
3. Depletion of precious metals	95 578	135 995	76 191	108 410
4. Provisions for vacations and bonuses for board and council members	126 100	179 424	(135 900)	(193 368)
5. Loss from disposal of fixed assets	7 787	11 080	(15 832)	(22 527)
6. Calculated interest income	(6 228)	(8 862)	(1 163)	(1 655)
7. Calculated interest expenses	1 027 889	1 462 554	136 958	194 874
8. Change in value of derivatives	(156 705)	(222 971)	–	–
Changes in operating assets and liabilities:				
1. Inventory	(903 164)	(1 285 087)	1 394 959	1 984 848
2. Accounts receivable	(863 211)	(1 228 239)	(1 307 611)	(1 860 563)
3. Accounts payable	(1 101 982)	(1 567 979)	218 995	311 602
Cash provided by operating activities	3 609 051	5 135 217	3 361 148	4 782 483
<i>II INVESTING ACTIVITIES</i>				
1. Purchase of fixed assets	(3 843 118)	(5 468 264)	(17 966 459)	(25 563 968)
2. Proceeds from sale of fixed assets	148 035	210 635	64 927	92 383
3. Received interest income	6 228	8 862	1 163	1 655
Net cash provided by / (used) financing activities	(3 688 855)	(5 248 768)	(17 900 369)	(25 469 930)
<i>III FINANCING ACTIVITIES</i>				
1. Received loan from credit institution	–	–	18 575 663	26 430 787
2. Paid credit institution	–	–	(1 936 638)	(2 755 588)
3. Received credit line	27 580 499	39 243 515	34 300 792	48 805 630
4. Paid credit line	(26 533 950)	(37 754 409)	(35 414 509)	(50 390 307)
5. Paid finance lease	(5 622)	(7 999)	(13 486)	(19 189)
6. Dividends paid	(131 996)	(187 813)	(310 742)	(442 146)
7. Interest expenses paid	(1 027 889)	(1 462 554)	(136 958)	(194 874)
Net cash provided by / (used in) financing activities	(107 714)	(153 263)	15 064 122	21 434 315
Net decrease in cash	(187 518)	(266 814)	524 901	746 867
Cash at the beginning of the year	567 917	808 073	243 753	346 829
Cash at the end of the period	380 399	541 259	768 654	1 093 696

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity

In 9 months of 2007

	rate of exchange			0.702804		
	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
As of 31.december 2005	23 903 205	4 132 198	28 035 403	34 011 197	5 879 588	39 890 785
Current 9 months 2006		40 868	40 868		58 150	58 150
Dividends paid		(310 742)	(310 742)		(442 146)	(442 146)
As of 30september 2006	23 903 205	3 862 324	27 765 529	34 011 197	5 495 592	39 506 789
Current X-XII 2006 profit		678 813	678 813		965 864	965 864
As of 31.december 2006	23 903 205	4 541 137	28 444 342	34 011 197	6 461 456	40 472 653
Current 9 months 2007		442 714	442 714		629 925	629 925
Dividends paid		(131 996)	(131 996)		(187 813)	(187 813)
Unpaid dividends		(35 327)	(35 327)		(50 266)	(50 266)
As of 30 september 2007	23 903 205	4 816 528	28 719 733	34 011 197	6 853 302	40 864 499

Andris Oskars Brutāns
Chairman of the Board

ANNEX

1. SHARE CAPITAL

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

	2007	2006
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrolan 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%
	100.00%	100.00%

2.INFORMATION FOR "PROFIT OR LOSS ACCOUNT

1. MATERIAL EZPENSES

	2007		2006	
	9Months	EUR	9Months	EUR
	LVL	0.702804	LVL	0.702804
Raw materials	9 859 493	14 028 795	10 633 485	15 130 086
Electricity	1 426 619	2 029 896	905 058	1 287 782
Ore processing costs	305 662	434 918	202 348	287 915
Natural gas	1 427 444	2 031 070	792 509	1 127 639
Depletion of ore	95 578	135 995	76 191	108 410
Other	543 837	773 810	654 550	931 341
Total	13 658 633	19 434 484	13 264 141	18 873 172

2.PERSONNEL EXPENSES

Salaries	3 443 338	4 899 429	2 780 310	3 956 025
Social security payments	844 681	1 201 873	736 074	1 047 339
Illness and vacation expenses	454 733	647 027	406 864	578 915
Provisions for bonuses of Board and Council	126 100	179 424	228 298	324 839
Other	51 755	73 641	40 645	57 833
Total	4 920 607	7 001 393	4 192 191	5 964 950

3.DEPRECIATION AND AMORTIZATION

Fixed asset depreciation	4 046 779	5 758 048	2 263 419	3 220 555
Intangible asset amortization	17 628	25 082	220 198	313 314
Total	4 064 407	5 783 130	2 483 617	3 533 869

4.OTHER OPERATING EXPENSES

Transportation	1 649 908	2 347 608	1 956 722	2 784 165
Commission	1 413 249	2 010 872	1 563 018	2 223 974
Service costs	663 456	944 013	546 068	776 985
Repairs	373 877	531 979	305 259	434 344
Maintenance expenses	267 916	381 210	157 676	224 353
Insurance	179 045	254 758	155 105	220 695
Business trips	107 023	152 280	110 348	157 011
Expenses relating to pessonnell	78 281	111 384	105 869	150 638
Communications	40 475	57 591	47 150	67 088
Leasing	46 005	65 459	55 825	79 432
Property tax	58 757	83 604	48 174	68 545
Office expenses	29 154	41 482	39 433	56 108
Selling expenses	32 503	46 248	35 947	51 148
Increase in doubtful debts	6 300	8 964	12 500	17 786
Other	251 741	358 195	183 685	261 360
Total	5 197 690	7 395 647	5 322 779	7 573 632

3. TRADE RECEIVABLES

	2007	EUR	2006	EUR
	9 month		9 month	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	2 411 107	3 430 696	2 719 668	3 869 739
P-D Aitec GmbH	55 970	79 638	56 363	80 197
Vitrolan Textilglas GmbH	653 399	929 703	565 674	804 882
Other trade receivables	2 584 679	3 677 667	2 293 672	3 263 601
	5 705 155	8 117 704	5 635 377	8 018 419

Andris Oskars Brutāns

Chairman of the Board