



*AS Valmieras Stikla Skiedra*

No.OF reg.40003031676

Unaudited  
Financial Report

31 December 2007

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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: Andris Bērziņš (till 10.01.2007) Hans Peter Cordts Guntis Strazds Frank Behrends (from 11.05.2007) Aivars Lošmanis

## MANAGEMENT NOTIFICATION

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The primary business of the company Valmieras stikla šķiedra is the manufacture and sale of fibreglass and fibreglass products and their sales in Europe, U.S.A., Japan, Canada, Australia, Russia, Ukraine and the Baltic States. In total the Company has had 93 customers in 29 countries. 70% of production is sold in the EU countries, and altogether 94% of the Company's products are exported.

Since 2000, JSC Valmieras stikla šķiedra has been operating in accordance with DIN EN ISO 9001:2000. The quality management certificate is issued and audited every three years by German Quality management system certification company "DQS" in Frankfurt. After the regular audit in 2007, the Company's certificate was renewed. The following figures describe the situation regarding the Company's net turnover and net profit during the last three years:

	Turnover		Net profit	
	thsd. LVL	thsd. EUR	thsd. LVL	thsd. EUR
2005	32 688,4	46 511,4	1 237 428	1 760 701
2006	34 986,1	49 780,7	719 681	1 024 014
2007	37 202,9	52 935,0	144 250	205 249

In November 2006, a new production plant with a capacity of 11.000 tons of glass fibre products per year was launched at JSC Valmieras stikla šķiedra. At the same time, a glass fibre production plant using the two-stage technology was closed down. 27 million LVL (38.4 million EUR) were invested in the new production plant.

In 2007, investments in production were continued (reaching 1.7 mill. LVL/2.4 mill. EUR) and they exceeded those initially planned (1.2 mill. LVL/1,7 mill. EUR). This occurred due to the increase in glass fibre processing capacity and the modernisation of the glass fibre textile production processes.

Since 2007, glass fibre fabrics (58%), glass fibre yarns and roving (36% ) have constituted the biggest share of the sold production in terms of their value. In order to manage to fulfil the contracts concluded with the Company's regular customers while adapting the new production plant in 2007, the Company purchased additional volumes of glass fibre yarns.

In 2007, the planned profit of 1.454 million LVL (2.069 mill. EUR) was not achieved due to the fact that full capacity of the new production facility was reached only in July 2007, whereas the old production capacity (launched in 2001) was reduced as a result of enhanced wear of fire-proof materials. Other factors having affected the profit were an increase in costs of energy (48% compared to the beginning of the year) and manpower resources in Latvia, as well as a downfall of US dollar and British pound (GBP) against the LVL, and the fact that higher volumes of glass fibre products than initially planned were purchased (purchased yarns were more expensive than self-produced yarns). The sales volume in 2007 amounts to 5.6 million LVL (8.0 mill. EUR) less than planned which is explained by the fact that it was impossible to manufacture the planned volumes of glass fibres with the given capacity at that time.

According to the resolution passed during the shareholders' meeting on 11 of May 2007, shareholders were paid dividends ( 0.007 LVL / 0.01 EUR per share) in June 2007.

The Company's Board has defined the main financial goals for JSC Valmieras stikla šķiedra to be reached during the time period from 2008 until 2010. After the determining ratios are accepted by the Company's council, they will be announced to all shareholders at the annual meeting in May 2008.

In order to increase the effectiveness of the production processes and the efficiency of the Company's manpower, the Company started the modernisation of information technologies in the second half of 2007. Records show that 907 employees were employed by JSC Valmieras stikla šķiedra as of 31 December 2007.

For the preparation of the unrevised, abridged financial statement for the year 2007, the statement accounting policy revised in 2006 was applied.

## BALANCE SHEET

	2007.12.31		2006.12.31	
	LVL	EUR	LVL	EUR
<b>ASSETS</b>		0,702804		0,702804
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents and licenses	53 886	76 673	70 451	100 243
Other intangible assets				
<b>Total intangible assets</b>	<b>53 886</b>	<b>76 673</b>	<b>70 451</b>	<b>100 243</b>
<b>Fixed assets</b>				
Land and buildings	11 449 584	16 291 290	11 537 020	16 415 701
Equipment and machinery	28 475 631	40 517 173	28 051 799	39 914 114
Other fixed assets	510 738	726 715	629 646	895 906
Construction in progress	348 138	495 356	1 485 598	2 113 816
Advance payments for fixed assets	4 217	6 000	1 202 196	1 710 571
<b>Total fixed assets</b>	<b>40 788 308</b>	<b>58 036 534</b>	<b>42 906 259</b>	<b>61 050 106</b>
<b>Total non-current assets</b>	<b>40 842 194</b>	<b>58 113 207</b>	<b>42 976 710</b>	<b>61 150 349</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	7 481 151	10 644 719	6 447 390	9 173 809
Work in progress	2 465 873	3 508 621	2 258 584	3 213 676
Finished goods	4 112 782	5 851 962	2 812 695	4 002 104
Advance payments for inventories	14 665	20 866	50 505	71 862
<b>Total inventory</b>	<b>14 074 471</b>	<b>20 026 168</b>	<b>11 569 174</b>	<b>16 461 452</b>
<b>Accounts receivable</b>				
Trade receivables	4 991 909	7 102 847	4 463 165	6 350 512
Other receivables	265 960	378 427	559 619	796 266
Deferred expenses	213 048	303 140	398 780	567 413
<b>Total accounts receivable</b>	<b>5 470 917</b>	<b>7 784 414</b>	<b>5 421 564</b>	<b>7 714 191</b>
Derivatives	401 217	570 880		
Cash and cash equivalents	596 928	849 352	567 917	808 073
<b>Total current assets</b>	<b>20 543 533</b>	<b>29 230 814</b>	<b>17 558 655</b>	<b>24 983 715</b>
<b>TOTAL ASSETS</b>	<b>61 385 727</b>	<b>87 344 021</b>	<b>60 535 365</b>	<b>86 134 064</b>

## BALANCE SHEET

	2007.12.31		2006.12.31	
	LVL	EUR	LVL	EUR
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		0,702804		0,702804
<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	144 250	205 249	719 681	1 024 014
<b>Total shareholders' equity</b>	<b>28 421 269</b>	<b>40 439 822</b>	<b>28 444 342</b>	<b>40 472 652</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	25 300 919	35 999 964	25 300 919	35 999 964
Finance lease	7 329	10 428	10 484	14 917
Deferred tax	538 529	766 258	686 886	977 351
<b>Total non-current liabilities</b>	<b>25 846 777</b>	<b>36 776 650</b>	<b>25 998 289</b>	<b>36 992 233</b>
<b>Current liabilities</b>				
Due to credit institutions	3 571 921	5 082 386	1 631 914	2 322 004
Finance lease	16 058	22 848	17 986	25 592
Advance payments from customers	273 324	388 905	59 492	84 649
Trade payables	2 590 336	3 685 716	3 427 835	4 877 370
Taxes and social security payments	286 128	407 123	291 539	414 823
Other accounts payable	304 657	433 488	339 815	483 513
Accrued liabilities	67 057	95 414	147 072	209 265
Deferred income	8 200	11 668	1 400	1 992
Derivatives	-		175 681	249 972
<b>Total current liabilities</b>	<b>7 117 681</b>	<b>10 127 548</b>	<b>6 092 734</b>	<b>8 669 179</b>
<b>Total liabilities</b>	<b>32 964 458</b>	<b>46 904 198</b>	<b>32 091 023</b>	<b>45 661 412</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>61 385 727</b>	<b>87 344 021</b>	<b>60 535 365</b>	<b>86 134 064</b>

## STATEMENT OF PROFIT AND LOSS

	2007		2006	
	LVL	EUR 0,702804	LVL	EUR 0,702804
Revenues	37 202 925	52 934 993	34 986 103	49 780 740
Changes in inventories	(1 507 377)	(2 144 804)	(972 485)	(1 383 721)
Work performed by the entity and capitalised	61 447	87 431	287 768	409 457
Other operating income	95 359	135 684	149 252	212 366
Raw materials and consumables	(18 818 798)	(26 776 737)	(17 207 364)	(24 483 873)
Personnel expenses	(6 745 807)	(9 598 419)	(6 029 349)	(8 578 991)
Depreciation and amortisation	(5 448 989)	(7 753 213)	(3 480 657)	(4 952 529)
Other operating expenses	(6 874 932)	(9 782 147)	(6 929 806)	(9 860 226)
<b>Profit from operations</b>	<b>978 582</b>	<b>1 392 397</b>	<b>803 462</b>	<b>1 143 223</b>
Interest - and similar income	7 885	11 219	1 770	2 518
Interest - and similar expenses	(990 574)	(1 409 460)	(740 918)	(1 054 231)
<b>Profit before taxes</b>	<b>-4 107</b>	<b>-5 844</b>	<b>64 314</b>	<b>91 511</b>
Corporate income tax	148 357	211 093	655 367	932 503
<b>Net profit</b>	<b>144 250</b>	<b>205 249</b>	<b>719 681</b>	<b>1 024 014</b>
<b>Basic earnings per share</b>	<b>0,0060</b>	<b>0,0085</b>	<b>0,0301</b>	<b>0,0428</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

	Share capital		Reserves		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
		0,702804		0,702804		0,702804		0,702804
<b>As of 31 December 2005</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>234 533</b>	<b>333 710</b>	<b>3 897 665</b>	<b>5 545 878</b>	<b>28 035 403</b>	<b>39 890 785</b>
Transfer to retained earnings			(234 533)	(333 710)	234533	333 710	-	-
Dividends paid	-				(310 742)	(442 146)	(310 742)	(442 146)
Current year profit	-				719681	1 024 014	719681	1 024 014
<b>As of 31 December 2006</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>-</b>	<b>-</b>	<b>4 541 137</b>	<b>6 461 456</b>	<b>28 444 342</b>	<b>40 472 652</b>
Dividends paid					(167 323)	(238 079)	(167 323)	(238 079)
Current year profit					144 250	205 249	144 250	205 249
<b>As of 31 December 2007</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>0</b>	<b>0</b>	<b>4 518 064</b>	<b>6 428 626</b>	<b>28 421 269</b>	<b>40 439 822</b>



## STATEMENT OF CASH FLOWS

	2007		2006	
	LVL	EUR 0,702804	LVL	EUR 0,702804
<b>operating activities</b>				
Profit before taxes	(4 107)	(5 844)	64 314	91 511
Adjustments:				
Depreciation and amortization	5 448 989	7 753 213	3 480 657	4 952 529
Depletion of precious metals	91 002	129 484	97 602	138 875
Accruals for vacations and bonuses for board and council members	(80 015)	(113 851)	(91 137)	(129 676)
Profit or loss from disposal of fixed assets	162 643	231 420	4 608	6 557
Calculated interest income	(7 885)	-11 219	(1 770)	-2 518
Calculated interest expenses	810 502	1 153 240	423 449	602 514
Changes in value of derivative financial instruments	(401 217)	(570 880)	175 681	249 972
<b>Changes in operating assets and liabilities:</b>				
Inventory	(2 596 300)	(3 694 202)	1 224 857	1 742 814
Accounts receivable	(49 353)	(70 223)	(442 519)	(629 648)
Accounts payable	(818 696)	(1 164 899)	1 657 974	2 359 084
Corporate income tax paid	-	-	(53 005)	(75 419)
<b>Cash provided by operating activities</b>	<b>2 555 563</b>	<b>3 636 239</b>	<b>6 540 711</b>	<b>9 306 593</b>
<b>investing activities</b>				
Purchase of fixed assets	(3 479 221)	(4 950 485)	(24 258 594)	(34 516 870)
Proceeds from sale of fixed assets	3 808	5 418	64 928	92 384
Received interest income	7 885	11 219	1 770	2 518
<b>Net cash used in investing activities</b>	<b>(3 467 528)</b>	<b>(4 933 848)</b>	<b>(24 191 896)</b>	<b>(34 421 967)</b>
<b>Financing activities</b>				
Received loans from credit institution	-	-	22 737 375	32 352 370
Paid loans to credit institution	-	-	(1 686 732)	(2 400 003)
Change in credit line, net	1 940 006	2 760 380	(2 082 551)	(2 963 203)
Paid finance lease	(5 083)	(7 232)	(17 981)	(25 585)
Dividends paid	(167 323)	(238 079)	(310 742)	(442 146)
Interest expenses paid	(826 624)	(1 176 180)	(664 020)	(944 815)
<b>Net cash provided by financing activities</b>	<b>940 976</b>	<b>1 338 888</b>	<b>17 975 349</b>	<b>25 576 617</b>
Net decrease in cash	29 011	41 279	324 164	461 244
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 year</b>	<b>596 928</b>	<b>849 352</b>	<b>567 917</b>	<b>808 073</b>

## ANNEX

### 1. SHARE CAPITAL

The Company's registered share capital as of 31.December 2007 and 2006 was LVL 23.903.205. The Company's paid share capital registered with the Enterprise Register as of 31.December 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 LVL1.

As of 31.December 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>2006</b>
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrulan International GmbH	30.8%	-
Vitrulan Textilglas GmbH	3.7%	30.8%
Skandinaviska Enskilda Banken Ab	2.9%	3.3%
VAS VSAA	2.4%	2.4%
Nordea Bank Finland Plc	0.3%	4.0%
P.D.P.Fiberglass Consulting Ltd	4.6%	4.6%
Braune Beatrix	2.6%	2.6%
Other	7.4%	7.0%
	<b>100.00%</b>	<b>100.0%</b>

### 2. INFORMATION FOR "PROFIT OR LOSS ACCOUNT"

#### 1. MATERIAL EXPENSES

	<b>2007</b>		<b>2006</b>	
	<b>12months</b>	<b>EUR</b>	<b>12months</b>	<b>EUR</b>
	LVL	0,702804	LVL	0,702804
Raw materials	13 823 232	19 668 687	13 744 026	19 555 987
Electricity	1 913 410	2 722 537	1 214 257	1 727 732
Ore processing costs	2 139 995	3 044 939	1 151 320	1 638 181
Natural gas	412 922	587 535	263 687	375 193
Depletion of ore	91 002	129 484	97 602	138 875
Other	438 237	623 555	736 472	1 047 905
<b>Total</b>	<b>18 818 798</b>	<b>26 776 737</b>	<b>17 207 364</b>	<b>24 483 873</b>

#### 2. PERSONNEL EXPENSES

Salaries	4 805 724	6 837 929	4 155 309	5 912 472
Social security payments	1 145 058	1 629 271	1 052 899	1 498 140
Illness and vacation expenses	552 711	786 437	487 835	694 127
Provisions for bonuses of Board and Council	22 869	32 540	104 900	149 259
Insurance of employees	57 755	82 178	57 712	82 117
Other	161 690	230 064	170 694	242 876
<b>Total</b>	<b>6 745 807</b>	<b>9 598 419</b>	<b>6 029 349</b>	<b>8 578 991</b>

#### 3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	5 425 316	7 719 529	3 209 574	4 566 812
Intangible asset amortisation	23 673	33 684	271 083	385 716
<b>Total</b>	<b>5 448 989</b>	<b>7 753 213</b>	<b>3 480 657</b>	<b>4 952 529</b>

#### 4. OTHER OPERATING EXPENSES

Transportation	2 284 807	3 250 987	2 556 210	3 637 159
Commission	1 837 152	2 614 032	1 981 169	2 818 950
Service costs	920 598	1 309 893	768 715	1 093 783
Repairs	568 728	809 227	430 876	613 081
Maintenance expenses	345 156	491 113	222 367	316 400
Insurance	194 344	276 527	155 059	220 629
Business trips	148 688	211 564	157 711	224 403
Expenses relating to personnel	64 091	91 193	58 381	83 069
Communications	56 966	81 055	69 978	99 570
Leasing	66 914	95 210	73 561	104 668
Property tax	86 493	123 068	63 210	89 940
Office expenses	41 740	59 391	56 804	80 825
Selling expenses	47 903	68 160	44 635	63 510

	<b>2007</b>	<b>EUR</b>	<b>2006</b>	<b>EUR</b>
	<b>12months</b>		<b>12months</b>	
	LVL	<b>0,702804</b>	LVL	<b>0,702804</b>
Increase in doubtful debts	2 755	3 920	4 471	6 362
Loss on disposal of fixed assets	1 230	1 750	-	-
Other	207 367	295 057	286 659	407 879
<b>Total</b>	<b>6 876 939</b>	<b>9 785 003</b>	<b>6 931 812</b>	<b>9 863 080</b>

### **3.TRADE RECEIVABLES**

	<b>2007</b>	<b>EUR</b>	<b>2006</b>	<b>EUR</b>
	<b>12 month</b>		<b>12 month</b>	
	LVL	<b>0,702804</b>	LVL	<b>0,702804</b>
P-D Glasseiden Oschatz GmbH	2 467 391	3 510 781	2 203 797	3 135 721
P-D Aitec GmbH	27 657	39 352	22 455	31 951
Vitrolan Textilglas GmbH	381 583	542 944	180 224	256 436
Other trade receivables	2 122 390	3 019 889	2 056 689	2 926 405
Increase in doubtful debts	(7 112)	(10 119)	(24 116)	(34 314)
	<b>4 991 909</b>	<b>7 102 847</b>	<b>4 439 049</b>	<b>6 316 198</b>