



AS Valmieras Stikla Skiedra

*Annual report for the year 2008
prepared in accordance with
Latvian statutory requirements
and Independent Auditor's Report*

AS VALMIERAS STIKLA SKIEDRA

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AS VALMIERAS STIKLA SKIEDRA

ANCILLARY INFORMATION

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, Vice-president Wilfried Queißer Karl Heinz Will Imants Saulītis Friedhelm Schwender Armin Zieschank (from 25.03.2008) Bernd Preißler (till 25.03.2008)
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Hans Peter Cordts Guntis Strazds Frank Behrends Aivars Lošmanis
REPORTING YEAR	1 January 2008 - 31 December 2008
PRIOR REPORTING YEAR	1 January 2007 - 31 December 2007
AUDITORS AND THEIR ADDRESS	Deloitte Audits Latvia Ltd. License No. 43 4a Gredu Str. Riga, LV-1019, Latvia Inguna Staša Sworn Auditor Certificate no. 145

The Company's primary business is manufacture and sale of fibreglass and fibreglass products. The production is sold in Europe, USA, Japan, Canada, Australia, Russia, Ukraine and the Baltic states, total in 29 countries to 93 customers. 72.2% of the total production is sold to companies in the European Union; export sales comprise 94.3% of total sales.

Since 2000 the Company operates in accordance with DIN EN ISO 9001:2000 quality management certificate, which was issued and is audited every three years by the German Quality management system certification company DQS located in Frankfurt. In 2008 annual audit was carried out, as a result of which the Company received a renewed certificate.

Total sales and net profit for the last 4 years are as follows:

	Sales		Net profit / (loss)	
	thousand LVL	EUR	LVL	EUR
202005	32 688	46 511	1 237 428	1 760 701
2006	34 986	49 781	869 008	1 136 487
2007	37 203	52 935	(426 010)	(606 158)
2008	37 813	53 803	505 594	719 395

Main production types in 2008 were fibreglass textiles and nets (58%) and threads and rovings (37%).

Despite significant increase in gas, electricity and raw materials prices during 2008, the result before tax for the year is profit of LVL 50 thousand (2007: loss of LVL 523 thousand). Main factors for achieving profit were reduction in cost per unit and decrease in fixed costs.

Sales have increased by LVL 610 thousand in comparison to 2007, however, planned sales volumes were not achieved, mainly because of decrease in demand for fibreglass products in the world.

During 2008 the Company has invested 4.8 million LVL in purchase of equipment and materials for reconstruction of fibreglass furnace. The reconstruction will be carried out from March 2009 to June 2009. Investments in other manufacturing equipment were also continued during 2008, amounting to LVL 407 thousand.

The board has adjusted the strategic plan for 2009 and 2010. After council approval in March 2009 the key financial ratios will be announced to shareholders in the annual meeting.

As of 31 December 2008 the number of employees was 860.

There have been no significant events subsequent to the end of the reporting year that might have a material influence on the Company's financial statements for the year ended 31 December 2008.

Andris Oskars Brutāns
Chairman of the Board

13 March 2009

AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS “Valmieras stikla skiedra” (the Company) is responsible for preparation of the financial statements.

The Financial Statements are prepared in accordance with the source documents and present fairly the state of affairs of the Company at the end of 31 December 2008 and the results of its operations and cash flows for the year ended 31 December 2008. The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements presented on pages 7 to 31. The management also confirms that requirements of Latvian law On Annual Reports have been followed and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the management

Andris Oskars Brutāns
Chairman of the Board

13 March 2009

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS "Valmieras stikla skiedra":

Report on the financial Statements

We have audited the accompanying financial statements (page 7 to 31) of AS "Valmieras stikla skiedra", which comprise the balance sheet as of 31 December 2008 and the profit and loss statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Latvian law On Annual Reports. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of AS "Valmieras stikla skiedra" as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with Latvian law On Annual Reports.

Report on the management report

We have read the management report for the year ended 31 December 2008, which is presented on page 4, and have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2008.

Deloitte Audits Latvia SIA
License No. 43

Hendrik Kramer
Authorized Representative

Riga, Latvia
13 March 2009

Inguna Staša
Sworn auditor
Certificate no. 145

AS VALMIERAS STIKLA SKIEDRA

BALANCE SHEET
AS OF 31 DECEMBER 2008

	Notes	31.12.2008		31.12.2007	
		LVL	EUR	LVL	EUR
			0.702804	Restated	0.702804
ASSETS					
Non-current assets					
Intangible assets					
Patents and licenses		33,628	47,848	53,886	76,673
Development of intangible assets		17,477	24,868	-	-
Total intangible assets	4	51,105	72,716	53,886	76,673
Tangible fixed assets					
Land and buildings	5	10,554,116	15,017,154	11,449,585	16,291,292
Equipment and machinery	5	23,945,521	34,071,407	28,475,631	40,517,173
Other fixed assets	5	404,102	574,985	510,738	726,715
Construction in progress	5	5,149,855	7,327,584	348,138	495,356
Advance payments for fixed assets		501,038	712,913	4,216	5,999
Total tangible fixed assets		40,554,632	57,704,043	40,788,308	58,036,534
Total non-current assets		40,605,737	57,776,759	40,842,194	58,113,207
Current assets					
Inventory					
Raw materials	6	7,725,633	10,992,585	7,481,151	10,644,719
Work in progress		2,732,100	3,887,428	2,465,873	3,508,621
Finished goods	7	7,175,166	10,209,341	4,156,210	5,913,754
Advance payments for inventories		16,559	23,561	14,665	20,866
Total inventory		17,649,458	25,112,916	14,117,899	20,087,961
Accounts receivable					
Trade receivables	8	5,620,654	7,997,470	4,991,909	7,102,847
Other receivables	9	358,356	509,895	265,960	378,427
Deferred expenses	10	156,959	223,332	213,048	303,140
Total accounts receivable		6,135,969	8,730,697	5,470,917	7,784,414
Cash and cash equivalents	11	396,909	564,751	596,928	849,352
Total current assets		24,182,336	34,408,364	20,185,744	28,721,726
TOTAL ASSETS		64,788,073	92,185,123	61,027,938	86,834,933

The accompanying notes on pages 12 to 31 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 13 March 2009 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

BALANCE SHEET
AS OF 31 DECEMBER 2008

	Notes	31.12.2008		31.12.2007	
		LVL	EUR	LVL	EUR
			0.702804	Restated	0.702804
LIABILITIES & EQUITY					
Equity					
Share capital	12	23,903,205	34,011,197	23,903,205	34,011,197
Retained earnings:					
a) retained earnings		4,097,131	5,829,692	4,523,141	6,435,850
b) current year profit / (loss)		505,594	719,395	-426,010	-606,158
Total equity		28,505,930	40,560,284	28,000,336	39,840,889
Liabilities					
Non-current liabilities					
Due to credit institutions	13	25,108,818	35,726,629	24,683,822	35,121,915
Finance lease	14	-	-	7,329	10,428
Deferred tax	27	160,361	228,173	615,942	876,407
Total non-current liabilities		25,269,179	35,954,802	25,307,093	36,008,749
Current liabilities					
Due to credit institutions	13	6,568,135	9,345,614	4,189,018	5,960,436
Finance lease	14	4,141	5,892	16,058	22,848
Advance payments from customers		293,825	418,075	273,324	388,905
Trade payables	15	3,363,581	4,785,945	2,590,336	3,685,716
Taxes and social security payments	16	272,199	387,304	286,128	407,123
Other accounts payable	17	381,421	542,713	304,657	433,488
Accrued liabilities	18	123,862	176,240	52,788	75,111
Deferred income		5,800	8,253	8,200	11,668
Total current liabilities		11,012,964	15,670,036	7,720,509	10,985,295
Total liabilities		36,282,143	51,624,839	33,027,602	46,994,044
TOTAL LIABILITIES & EQUITY		64,788,073	92,185,123	61,027,938	86,834,933

The accompanying notes on pages 12 to 31 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 13 March 2009 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008		2007	
		LVL	EUR	LVL	EUR
			0.702804	Restated	0.702804
Revenues	19	37,813,391	53,803,608	37,202,925	52,934,993
Changes in inventories		3,285,182	4,674,393	1,550,805	2,206,597
Work performed by the entity and capitalised		58,551	83,311	61,447	87,431
Other operating income	20	360,857	513,453	95,359	135,684
Raw materials and consumables	21	(20,371,498)	(28,986,030)	(18,818,798)	(26,776,737)
Personnel expenses	22	(7,210,109)	(10,259,061)	(6,731,538)	(9,578,116)
Depreciation and amortization	23	(5,980,314)	(8,509,220)	(5,448,989)	(7,753,213)
Other operating expenses	24	(6,551,741)	(9,322,288)	(6,874,932)	(9,782,147)
Profit from operations		1,404,319	1,998,166	1,036,279	1,474,492
Interest and similar income	25	73,959	105,234	7,885	11,219
Interest and similar expenses	26	(1,428,265)	(2,032,238)	(1,567,472)	(2,230,312)
Profit / (loss) before taxes		50,013	71,162	(523,308)	(744,600)
Corporate income tax credit	27	455,581	648,233	97,298	138,443
Net profit / (loss)		505,594	719,395	(426,010)	(606,158)
Basic and diluted earnings per share	28	0.0212	0.0302	-0.01782	-0.02536

The accompanying notes on pages 12 to 31 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 13 March 2009 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
		0.702804		0.702804		0.702804
As of 31 December 2006 (previously reported)	23,903,205	34,011,197	4,373,814	6,223,377	28,277,019	40,234,573
Change in accounting policy (see Note 3)	-	-	149,327	212,473	149,327	212,473
As of 31 December 2006 (restated)	23,903,205	34,011,197	4,523,141	6,435,850	28,426,346	40,447,046
Dividends paid	-	-	(167,323)	(238,079)	(167,323)	(238,079)
Current year loss (restated)	-	-	(426,010)	(606,158)	(426,010)	(606,158)
As of 31 December 2007 (restated)	23,903,205	34,011,197	3,929,808	5,591,613	27,833,013	39,602,810
Current year profit	-	-	505,594	719,395	505,594	
As of 31 December 2008	23,903,205	34,011,197	4,435,402	6,311,008	28,338,607	40,322,205

The accompanying notes on pages 12 to 31 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 13 March 2009 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2008

	Notes	2008	2007		
		LVL	EUR	LVL	EUR
			0.702804	Restated	0.702804
OPERATING ACTIVITIES					
Profit / (loss) before taxation		50,013	71,162	(523,308)	(744,600)
Adjustments:					
Depreciation and amortization	23	5,980,314	8,509,220	5,448,989	7,753,213
(Profit) or loss from disposal of fixed assets		(5,671)	(8,069)	(0,474)	(0,674)
Interest expense	26	1,426,921	2,030,326	1,387,400	(1, 974,092)
Interest income	25	(1,120)	(1,594)	(7,885)	(11,219)
Changes in operating assets and liabilities:					
Inventory		(3, 531,559)	(5, 024,956)	(2, 548,725)	(3, 626,509)
Accounts receivable and other assets		(665,052)	(946,284)	(47,103)	(67,022)
Accounts payable and other liabilities		853,152	1,213,926	(823,054)	(1, 171,100)
Interest received		1,120	1,594	7,885	(11,219)
Cash provided by operating activities		4,108,118	5,845,325	2,893,725	(4, 117,400)
INVESTING ACTIVITIES					
Purchase of fixed assets and intangible assets, advance payments		(5, 601,009)	(7, 969,518)	(3, 379,263)	(4, 808,258)
Proceeds from sale of fixed assets		5,940	8,452	165,221	235,088
Net cash used in investing activities		(5, 595,069)	(7, 961,066)	(3, 214,042)	(4, 573,170)
FINANCING ACTIVITIES					
Received loans from credit institution		3,229,384	4,594,999	-	-
Paid loans to credit institutions		(617,097)	(878,050)	-	-
Increase in credit line		191,826	272,944	1,940,006	2,760,380
Finance lease payments		(19,246)	(27,385)	(19,833)	(28,220)
Dividends paid		-	-	(167,323)	(238,079)
Interest expenses paid		(1, 497,935)	(2, 131,369)	(1, 403,522)	(1, 997,032)
Net cash provided by financing activities		1,286,932	1,831,139	349,328	497,049
Net (decrease) / increase in cash and cash equivalents		(200,019)	(284,601)	29,011	41,279
Cash and cash equivalents at the beginning of the year		596,928	849,352	567,917	808,073
Cash and cash equivalents at the end of the year	11	396,909	564,751	596,928	849,352

The accompanying notes on pages 12 to 31 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 13 March 2009 by:

Andris Oskars Brutāns

Jürgen Preiss-Daimler

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Chairman of the Board

Chairman of the Council

1. GENERAL INFORMATION

The Company is registered as a joint stock company in the Commercial Register in the Republic of Latvia. The addresses of its registered office and principal place of business are disclosed in the ancillary information to the annual report. The principal activities of the Company are the production of fibreglass and fibreglass products.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Latvian law On Annual Reports and Latvian accounting standards issued by the Ministry of Finance of the Republic of Latvia.

The financial statements have been prepared under the historical cost convention.

The accompanying financial statements are presented in the national currency of Latvia, the lat ("LVL") (functional currency).

3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policy

During 2008 the Company changed its accounting policy for the valuation of derivatives. Previously, the Company had opted to state derivatives at fair value. Starting from 2008, derivatives are stated at cost. The management believes that this policy provides more relevant information about the effects of transactions on the Company's financial position, financial performance and cash flows.

The effects of retrospective application of the accounting policy are the following:

	2007	LVL	EUR	LVL	EUR	LVL	EUR
		Previously reported		Effect of change of accounting policy		Restated	
			0.702804		0.702804		0.702804
Income Statement							
Interest and similar income		584,783	832,071	(576,898)	(820,852)	7,885	11,219
Corporate income tax credit		10,763	15,314	86,535	123,128	97,298	138,443
Net profit / (loss)		64,353	91,566	(490,363)	(697,724)	(426,010)	(606,158)
Balance Sheet							
<i>Assets</i>							
Derivatives		401,217	570,880	(401,217)	(570,880)	-	-
<i>Liabilities & Equity</i>							
Retained earnings		4,373,814	6,223,377	149,327	212,473	4,523,141	6,435,850
Current year profit / (loss)		64,353	91,566	(490,363)	(697,724)	(426,010)	(606,158)
Deferred tax		676,123	962,036	(60,181)	(85,630)	615,942	876,407

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

Foreign currencies

Transactions denominated in foreign currencies are translated into LVL at the official Bank of Latvia exchange rate on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. Exchange differences are recognized in the statement of profit and loss in the period in which they arise.

The applicable rates used for the principal currencies as of 31 December are as follows:

	2008	2007
EUR	0.702804	0.702804
GBP	0.728	0.963
RUR	0.0171	0.0197
SEK	0.0635	0.0744
USD	0.495	0.484

Intangible assets

Intangible assets are stated at historical cost, less accumulated amortisation and impairment losses.

Patents registered by the Company relate to specific products produced. The production run is estimated to last for 5 years and the capitalized cost is amortised over the same period using the straight line method of amortization.

Other intangible assets include intellectual know how for a direct melt facility put into operation in 2001. Know-how is amortized over 5 years using the straight-line method.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the financial period in which they are incurred.

Land is not depreciated. For other fixed assets depreciation is calculated using the asset's historical cost as the basis. Depreciation is calculated using the straight-line method applying the following annual depreciation rates:

Buildings	5-6.7%
Equipment and machinery	10-25%
Vehicles and other fixed assets	10-40%

Impairment of tangible and intangible assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If it is not possible to estimate cash inflows for an individual asset, the recoverable amount is determined for the group of assets to which the asset belongs (cash generating unit).

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Where necessary, allowance is made for obsolete, slow moving and defective stock.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days at inception.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the total value of goods sold net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognized in the statement of profit and loss on an accrual basis of accounting using the effective interest rate method.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences arise from different accounting and tax depreciation rates of fixed assets and unused tax losses. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

Accrual for vacations

Accrual for vacations is calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Total payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial assets

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset is impaired.

The Company assesses all financial assets on individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated present value of future cash flows, discounted at the financial assets original effective interest rate.

Financial liabilities

Loans and trade payables

Loans and trade payables are initially measured at fair value, net of transaction costs.

Loans and trade payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are disclosed in the notes to the financial statements.

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Business and geographical segments

A business segment means a constituent part of the business participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

A geographical segment means a constituent part of the business participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments.

Derivative financial instruments

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps involve the exchange of fixed and floating interest payments. The notional amount on which the interest payments are based is not exchanged.

Foreign exchange contracts (forwards) are contracts for the future receipt or delivery of foreign currency at previously agreed-upon terms.

Derivatives are stated at cost.

Use of estimates and critical accounting judgements

International Financial Reporting Standards as adopted by the EU require that in preparing the financial statements, the management of the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The following are the critical judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Company reviews the estimated useful lives of tangible fixed assets at the end of each annual reporting period;

The management of the Company uses their judgment in estimating useful lives of tangible fixed assets and their assumptions may change and new amounts calculated.

- the Company reviews property, plant and equipment and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;

The Company calculates and records loss on impairment of property, plant and equipment on the basis of an evaluation of their future use, planned liquidation or sale. The Company does not believe that any material adjustments are needed in the future due to impairment of the Company's assets considering the production and sales levels.

- the Company assesses recoverability of unused tax losses (see note 27);

The Company recognised a deferred tax asset from tax losses carry forward in the amount of LVL 2,472,621 (2007: 2,262,977). The Company reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to enable its recovery. Currently the Company assessed that there are sufficient taxable temporary differences which are expected to reverse in the same periods into which a tax loss arising from the deferred tax asset can be carried forward.

Financial Crisis and Economic Recession

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The management of the Company monitors the potential impact of the financial crisis and the risk of economic recession on the Company's business activities. The management of the Company believes that the financial crisis and recession will have no significant impact on the Company's business activities due to the nature of the Company's business activities, long-term contracts made with customers and limited level of risk associated with the use of external sources of financing.

Emission rights

The Company is a participant of the EU CO₂ emission allowance trading scheme and receives an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The Company has opted to record emission allowances received at a nominal amount. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost.

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4. INTANGIBLE ASSETS

	Patents and licenses		Other intangible assets		Development of intangible assets		Total	
	LVL	EUR	LVL	EUR		EUR	LVL	EUR
HISTORICAL COST		0.702804		0.702804		0.7028		0.702804
As of 31 December 2006	1,308,939	1,862,452	1,359,709	1,934,692	-	-	2,668,648	3,797,144
Additions	7,108	10,114	-	-	-	-	7,108	10,114
As of 31 December 2007	1,316,047	1,872,566	1,359,709	1,934,692	-	-	2,675,756	3,807,258
Additions	3,113	4,429	-	-	17,477	24,868	20,590	29,297
Disposals	(1, 178,348)	(1, 676,638)	(1, 359,709)	(1, 934,692)	-	-	(2, 538,057)	(3, 611,330)
As of 31 December 2008	140,812	200,357	-	-	17,477	24,868	158,289	(225,225)
ACCUMULATED AMORTISATION								
As of 31 December 2006	1,238,488	1,762,210	1,359,709	1,934,692	-	-	2,598,197	3,696,901
Charge for the year	23,673	33,684	-	-	-	-	23,673	33,684
As of 31 December 2007	1,262,161	1,795,893	1,359,709	1,934,692	-	-	2,621,870	3,730,585
Charge for the year	23,371	33,254	-	-	-	-	23,371	33,254
Disposals	(1, 178,348)	(1, 676,638)	(1, 359,709)	(1, 934,692)	-	-	(2, 538,057)	(3, 611,330)
As of 31 December 2008	107,184	152,509	-	-	-	-	107,184	152,509
NET BOOK VALUE								
As of 31 December 2007	53,886	76,673	-	-	-	-	53,886	76,673
As of 31 December 2008	33,628	47,848	-	-	17,477	24,868	51,105	72,716

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

5. TANGIBLE FIXED ASSETS

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	LVL	LVL	LVL	LVL	LVL	LVL
HISTORICAL COST						
As of 31 December 2006	242,936	13,964,349	38,420,239	1,868,108	1,485,598	55,981,230
Additions	-	-	-	-	4,670,092	4,670,092
Disposals	-	(213,802)	(124,678)	(43,985)	-	(382,465)
Transfers	-	942,506	4,699,746	165,300	(5,807,552)	-
As of 31 December 2007	242,936	14,693,053	42,995,307	1,989,423	348,138	60,268,857
Additions	-	-	-	-	5,226,714	5,226,714
Disposals	-	(996)	(64,240)	(54,510)	-	(119,746)
Transfers	-	17,441	297,310	110,246	(424,997)	-
As of 31 December 2008	242,936	14,709,498	43,228,377	2,045,159	5,149,855	65,375,825
ACCUMULATED DEPRECIATION						
As of 31 December 2006	-	2,670,265	10,368,440	1,238,462	-	14,277,167
Charge for the year	-	889,126	4,252,059	284,131	-	5,425,316
Disposals	-	(72,987)	(100,823)	(43,908)	-	(217,718)
As of 31 December 2007	-	3,486,404	14,519,676	1,478,685	-	19,484,765
Charge for the year	-	912,665	4,827,420	216,858	-	5,956,943
Disposals	-	(751)	(64,240)	(54,486)	-	(119,477)
As of 31 December 2008	-	4,398,318	19,282,856	1,641,057	-	25,322,231
NET BOOK VALUE						
As of 31 December 2007	242,936	11,206,649	28,475,631	510,738	348,138	40,784,092
As of 31 December 2008	242,936	10,311,180	23,945,521	404,102	5,149,855	40,053,594

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	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
HISTORICAL COST	0.702804	0.702804	0.702804	0.702804	0.702804	0.702804
As of 31 December 2006	345,667	19,869,479	54,667,075	2,658,078	2,113,816	79,654,115
Additions	-	-	-	-	6,644,942	6,644,942
Disposals	-	(304,213)	(177,401)	(62,585)	-	(544,199)
Transfers	-	1,341,065	6,687,136	235,201	(8, 263,402)	-
As of 31 December 2007	345,667	20,906,331	61,176,810	2,830,694	495,356	85,754,858
Additions	-	-	-	-	7,436,944	7,436,944
Disposals	-	(1,417)	(91,405)	(77,561)	-	(170,383)
Transfers	-	24,816	423,034	156,866	(604,716)	-
As of 31 December 2008	345,667	20,929,730	61,508,439	2,909,999	7,327,584	93,021,419
ACCUMULATED DEPRECIATION						
As of 31 December 2006	-	3,799,445	14,752,961	1,762,173	-	20,314,579
Charge for the year	-	1,265,112	6,050,135	404,282	-	7,719,529
Disposals	-	(103,851)	(143,458)	(62,475)	-	(309,784)
As of 31 December 2007	-	4,960,706	20,659,638	2,103,980	-	27,724,324
Charge for the year	-	1,298,605	6,868,800	308,561	-	8,475,966
Disposals	-	(1,069)	(91,405)	(77,527)	-	(170,001)
As of 31 December 2008	-	6,258,242	27,437,033	2,335,014	-	36,030,289
NET BOOK VALUE						
As of 31 December 2007	345,667	15,945,625	40,517,172	726,714	495,356	58,030,534
As of 31 December 2008	345,667	14,671,488	34,071,406	574,985	7,327,584	56,991,130

The registered cadastral value of property owned by the Company as at 31 December 2008 was LVL 6,935,173 (2007: 9,537,641).

The registered cadastral value of land owned by the Company as at 31 December 2008 was LVL 926,180 (2007: LVL 76,150).

The Company has pledged all non-current assets (fixed assets and intangible assets) with a total carrying amount as of 31 December 2008 of LVL 40,104,699 (2007: LVL 40,837,978) as a security for liabilities, see Note 13.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

6. RAW MATERIALS

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Precious metal glass melting plates*	3,647,070	5,189,313	3,762,763	5,353,929
Raw materials	4,128,563	5,874,416	3,718,388	5,290,789
Allowance for slow moving inventories	(50,000)	(71,144)	-	-
Total	7,725,633	10,992,585	7,481,151	10,644,718

*The Company uses precious metal glass melting plates in the manufacturing process. The average technical depletion of these plates in 2008 was 3.01% (2007 – 2.35%). The plates are used on average from 220 to 430 days before being sent for reprocessing. Reprocessed plates are returned to the manufacturing process.

The plates are stated at the lower of the cost of the metal from which they are made and net realizable value. As at 31 December 2008 the carrying amount was LVL 3,647,070 (2007: LVL 3,762,763). According to the metal prices quoted in London stock exchange as at 31 December 2008 the market price of the precious metals was LVL 7,684,835 (2007: LVL 17,794,176).

7. FINISHED GOODS

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Finished goods	7,274,003	10,349,974	4,231,832	6,021,354
Allowance for excess of net realizable value over cost	(98,837)	(140,632)	(75,622)	(107,600)
Total	7,175,166	10,209,342	4,156,210	5,913,754

8. TRADE RECEIVABLES

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
P-D Glasseiden Oschatz GmbH (related party)	2,578,964	3,669,535	2,467,391	3,510,781
VITRULAN Textilglas GmbH (related party)	79,492	113,107	381,583	542,944
P-D aitec GmbH (related party)	-	-	27,657	39,352
Other trade receivables	2,972,543	4,229,548	2,122,390	3,019,889
Allowances for doubtful receivables	(10,345)	(14,720)	(7,112)	(10,119)
Total	5,620,654	7,997,470	4,991,909	7,102,847

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9. OTHER RECEIVABLES

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
VAT overpayment (see Note 16)	239,695	341,055	186,846	265,858
VAT on unpaid invoices	83,570	118,909	51,186	72,831
	16,602	23,623	16,602	23,623
Other receivables	42,496	60,466	35,890	51,067
Allowance for doubtful receivables	(24,007)	(34,159)	(24,564)	(34,951)
Total	358,356	509,895	265,960	378,427

Change in allowance for doubtful receivables:

	LVL	EUR
		0.702804
Allowance as of 31 December 2006	49,096	69,857
Decrease due to collection (see Note 20)	(1,584)	(2,254)
Written-off debts	(18,624)	(26,500)
Charged to statement of profit and loss	2,788	3,967
Allowance as of 31 December 2007	31,676	45,071
Decrease due to collection (see Note 20)	(0,558)	(0,794)
Charged to statement of profit and loss	3,234	4,602
Allowance as of 31 December 2008	34,352	48,878

10. DEFERRED EXPENSES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Insurance expenses	73,653	104,799	93,435	132,946
Precious metal plates reprocessing expenses	48,291	68,712	79,206	112,700
Other deferred expenses	35,015	49,822	40,407	57,494
Total	156,959	223,333	213,048	303,140

11. CASH AND CASH EQUIVALENTS

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Cash in bank	393,833	560,374	593,504	844,480
Cash on hand	3,076	4,377	3,424	4,872
Cash and cash equivalents	396,909	564,751	596,928	849,352

**NOTES TO THE FINANCIAL STATEMENTS
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12. SHARE CAPITAL

The Company's registered share capital as of 31 December 2008 and 2007 was LVL 23,903,205.

The Company's paid-in share capital as of 31 December 2008 and 2007 consisted of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights. The nominal value of each share is LVL 1.

As of 31 December 2008 and 2007 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2008	2007
P-D Glasseiden Oschatz GmbH	38.2%	45.3%
Vitruhan International GmbH	36.2%	36.2%
P-D Management Industries –Technologies GmbH	11.7%	-
Braune Beatrix	2.6%	2.6%
VAS VSAA	2.4%	2.4%
Skandinaviska Enskilda Banken Ab	2.0%	2.2%
P.D.P. Fiberglass Consulting Ltd	-	4.6%
Other	6.9%	6.7%
	100.0%	100.0%

13. DUE TO CREDIT INSTITUTIONS

	2008		2007	
	LVL	EUR	LVL	EUR
Non-current part:		0.702804		0.702804
Loan due within 2 to 5 years	11,889,552	16,917,308	9,873,539	14,048,780
Loan due after more than 5 years	13,219,266	18,809,321	14,810,283	21,073,134
Total non-current part	25,108,818	35,726,629	24,683,822	35,121,915
Current part:				
Credit line	3,763,747	5,355,330	3,571,921	5,082,386
Loan	2,804,388	3,990,285	617,097	878,050
Total current part	6,568,135	9,345,614	4,189,018	5,960,436
Total	31,676,953	45,072,243	28,872,840	41,082,350

On 2 April 2001 the Company signed a credit line agreement with AS Hansabanka to increase working capital. As of 31 December 2008 the credit line limit was EUR 6,000,000 (LVL 4,216,824) (2007: EUR 6,000,000 (LVL 4,216,824)). The fixed interest rate of the credit line is 5.16% for used amount and 0.5% for unused amount (2007: 3.29% for used amount and 1% for unused amount). The maturity date of the credit line is 13 March 2009. As a security for the credit line, the Company has pledged inventories with the carrying amount of LVL 17,649,458 as at 31 December 2008 (2007: LVL 14,117,899).

On 6 June 2005 the Company signed a loan agreement with AS Hansabanka in the amount of EUR 36,000,000 (LVL 25,300,944). Maturity date of the loan is 30 December 2018. The fixed interest rate is 0.9% per annum, variable – 3 month EURIBOR.

On 16 April 2008 the Company signed a loan agreement AS Hansabanka in the amount of EUR 5,000,000 (LVL 3,514,020) to finance the reconstruction of fiberglass furnace. Maturity date of the loan is 10 April 2016. The fixed interest rate is 0.85% per annum, variable – 3 month EURIBOR.

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**NOTES TO THE FINANCIAL STATEMENTS
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As of 31 December 2008 the amount of available and not yet withdrawn loan and credit line was EUR 1,049,670 (LVL 737,712) (2007: EUR 917,615 (LVL 644,903)).

According to mortgage agreement No.05-04995-IN/3, the loans are secured by the fixed and intangible assets of the Company with the carrying amount as of 31 December 2008 of LVL 40,104,699 (2007: LVL 40,837,978).

14. FINANCE LEASE

On 31 December 2008 and 2007 the liabilities resulting from finance lease agreements were as follows:

	2008		2008		2007		2007	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
		0.702804		0.702804		0.702804		0.702804
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance lease:								
Current	4,618	6,571	4,141	5,892	16,616	23,642	16,058	22,848
Non current	-	-	-	-	7,583	10,790	7,329	10,428
Total amounts payable under finance lease	4,618	6,571	4,141	5,892	24,199	34,432	23,387	33,277
Future financing charges	(0,477)	(0,679)	-	-	(0,812)	(1,155)	n/a	n/a
Present value of lease obligations	4,141	5,892	4,141	5,892	23,387	33,277	23,387	33,277

The currency of the lease liability is EUR. The fixed interest rate of the lease liability is 2% per annum, variable – 3 month EURIBOR.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of LVL 8,156 (2007: LVL 11,310).

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NOTES TO THE FINANCIAL STATEMENTS
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15. TRADE PAYABLES

	2008		2007	
	LVL	EUR	LVL	
		0.702804		0.702804
For services received	2,112,076	3,005,213	1,358,359	1,932,771
For goods received	1,180,111	1,679,147	1,014,459	1,443,445
For fixed assets	71,394	101,585	217,518	309,500
Total	3,363,581	4,785,945	2,590,336	3,685,716

16. TAXES AND SOCIAL SECURITY PAYMENTS

	2007		Calculated	Transfers	Returned from the state	Paid	2008	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	3,126	15,388	-	-	14,586	-	3,928
Real estate tax	-	-	51,096	-	-	51,096	-	-
Social security payments	-	159,421	1,809,251	1,813,558	-	-	-	155,114
Personal income tax	-	123,342	1,099,360	-	-	1,109,769	-	112,933
Enterprise risk duty	-	239	2,788	-	-	2,803	-	224
Value added tax	186,846	-	(2,475,539)	(1,813,558)	(609,132)	-	239,695	-
Corporate income tax	16,602	-	-	-	-	-	16,602	-
Total	203,448	286,128	502,344	-	(609,132)	1,178,254	256,297	272,199

	2007		Calculated	Transfers	Returned from the state	Paid	2008	
	Over-payment	Liability					Over-payment	Liability
	EUR	0.702804	0.702804	0.702804	0.702804	0.702804	0.702804	0.702804
Natural resource tax	-	4,448	21,895	-	-	20,754	-	5,589
Real estate tax	-	-	72,703	-	-	72,703	-	-
Social security payments	-	226,836	2,574,332	2,580,461	-	-	-	220,707
Personal income tax	-	175,500	1,564,248	-	-	1,579,059	-	160,689
Enterprise risk duty	-	340	3,967	-	-	3,988	-	319
Value added tax	265,858	-	(3,522,375)	(2,580,461)	(866,717)	-	341,055	-
Corporate income tax	23,622	-	-	-	-	-	23,623	-
Total	289,480	407,124	714,770	-	(866,717)	1,676,504	364,678	387,304

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17. OTHER ACCOUNTS PAYABLE

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Salary	373,697	531,723	299,946	426,785
Other	7,724	10,990	4,711	6,703
Total	381,421	542,713	304,657	433,488

18. ACCRUED LIABILITIES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Accrual for reclamation	70,000	99,601	-	-
Accrual for vacations	53,862	76,639	44,188	62,874
Accrual for remuneration of the members of the Board and Council	-	-	8,600	12,237
Total	123,862	176,240	52,788	75,111

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NOTES TO THE FINANCIAL STATEMENTS
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19. REVENUES

	2008		2007	
	LVL	EUR	LVL	EUR
Export sales:		0.702804		0.702804
European Union	25,131,993	35,759,604	26,441,456	37,622,802
North America	5,501,202	7,827,505	3,964,606	5,641,126
CIS	2,379,732	3,386,054	2,435,870	3,465,931
Local sales	2,154,474	3,065,540	2,196,117	3,124,793
Other countries	2,645,990	3,764,905	2,164,876	3,080,341
Total	37,813,391	53,803,608	37,202,925	52,934,993

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Fibreglass textiles	21,753,752	30,952,800	21,319,400	30,334,773
Fibreglass threads	13,910,338	19,792,628	13,502,001	19,211,617
Other	2,149,301	3,058,180	2,381,524	3,388,603
Total	37,813,391	53,803,608	37,202,925	52,934,993

20. OTHER OPERATING INCOME

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Sale of raw materials	273,505	389,163	47,325	67,337
Insurance	20,735	29,503	-	-
Income from rent of fixed assets	17,704	25,191	15,252	21,702
Income from sale of fixed assets	5,671	8,069	-	-
Decrease in allowance for doubtful receivables (see Note 9)	557	793	1,584	2,254
Other	42,685	60,735	31,198	44,391
Total	360,857	513,453	95,359	135,684

21. RAW MATERIALS AND CONSUMABLES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Raw materials	13,756,825	19,574,198	13,823,232	19,668,687
Natural gas	2,895,298	4,119,638	2,139,995	3,044,939
Electricity	2,545,231	3,621,537	1,913,410	2,722,537
Ore processing costs	326,295	464,276	412,922	587,535
Depletion of ore	115,520	164,370	91,002	129,484
Other	732,329	1,042,010	438,237	623,555
Total	20,371,498	28,986,030	18,818,798	26,776,737

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22. PERSONNEL EXPENSES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Salaries	5,123,455	7,290,020	4,805,724	6,837,929
Social security payments	1,302,537	1,853,343	1,145,058	1,629,271
Illness and vacation expenses	551,567	784,809	552,711	786,437
Insurance of employees	59,932	85,276	57,755	82,178
Accruals for bonuses of Board and Council	-	-	8,600	12,237
Other	172,618	245,613	161,690	230,064
Total	7,210,109	10,259,061	6,731,538	9,578,116

In 2008, the average number of employees was 908 (2007: 942).

23. DEPRECIATION AND AMORTISATION

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Fixed asset depreciation (see Note 5)	5,956,943	8,475,966	5,425,316	7,719,529
Intangible asset amortization (see Note 4)	23,371	33,254	23,673	33,684
Total	5,980,314	8,509,220	5,448,989	7,753,213

24 OTHER OPERATING EXPENSES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Transportation	2,362,464	3,361,483	2,284,807	3,250,987
Sales commission	1,569,025	2,232,521	1,837,152	2,614,032
Service costs	579,080	823,957	861,813	1,226,249
Spare parts	548,295	780,153	568,728	809,227
Repair expenses	476,780	678,397	345,156	491,113
Insurance	186,234	264,987	194,344	276,527
Business trips	162,147	230,714	148,688	211,564
Leasing	100,776	143,391	66,914	95,210
Research	85,297	121,367	58,785	83,644
Communication	63,466	90,304	56,966	81,055
Labour safety and specific clothing	57,524	81,849	64,091	91,193
Property tax	51,096	72,703	86,493	123,068
Office expenses	32,975	46,919	41,740	59,391
Audit fees	21,436	30,501	21,436	30,501
Selling expenses	20,940	29,795	47,903	68,160
Allowance for doubtful receivables (Note 9)	3,234	4,602	2,788	3,967
Loss on disposal and sale of fixed assets	-	-	1,230	1,750
Other	230,972	328,644	185,898	264,509
Total	6,551,741	9,322,288	6,874,932	9,782,147

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25. INTEREST AND SIMILAR INCOME

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Net gain on foreign exchange rate fluctuations	72,839	103,641	-	-
Interest income	1,120	1,594	7,885	11,219
Total	73,959	105,234	7,885	11,219

26. INTEREST AND SIMILAR EXPENSES

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Interest expense	1,497,935	2,131,369	1,403,522	1,997,032
Less capitalized interest	(71,014)	(101,044)	(16,122)	(22,940)
Net loss on foreign exchange rate fluctuations	-	-	177,066	251,942
Penalties paid	1,344	1,912	3,006	4,277
Total	1,428,265	2,032,238	1,567,472	2,230,312

27. CORPORATE INCOME TAX**27 (a) Components of corporate income tax**

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Deferred tax credit	455,581	648,233	97,298	138,443
Total	455,581	648,233	97,298	(138,443)

27 (b) Reconciliation of accounting profit to tax charge:

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Profit before tax	50,013	71,162	(523,308)	(744,600)
Expected tax charge, applying current tax rate of 15%	(7,502)	(10,674)	78,496	111,690
Tax effect of non-deductible items	(29,720)	(42,288)	(51,076)	(72,675)
Tax credit received for new technological equipment*	224,738	319,773	368,403	524,190
Not recognised deferred tax asset (tax losses)	92,634	131,806	(92,634)	(131,806)
Other	175,431	249,616	(205,891)	(292,956)
Corporate income tax credit	455,581	648,233	97,298	138,443

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* The tax base of new technological equipment purchased in 2008 is calculated by multiplying the acquisition cost with a coefficient of 1.3 (2007: 1.4, 2006: 1.5). Total amount of related tax credit not used as of 31 December 2008 is LVL 337,108 (2007: LVL 552,604). If the equipment is disposed within 5 years from acquisition due to reasons other than natural disaster or compulsory liquidation, taxable income in the year of disposal should be increased by the amount of credit previously recognized.

Tax returns remain open and may be subject to review over the period of three years. Accordingly, as at 31 December 2008, the Company tax returns for 2006 to 2008 remain open and may be subject to review.

28 (c) Net deferred tax liabilities as of end of the year:

Calculation of deferred tax:

	2008		2007		
	Tempora ry differenc e	Tax effect	Temporary difference	Tax effect	
		15%		15%	
Temporary difference on depreciation of fixed assets (liability)	17,727,067	2,659,060	2,659,060	19,262,890	2,889,434
Temporary difference on accruals (asset)	(173,853)	(26,078)	(26,078)	(70,100)	(10,515)
Tax loss carry forward (asset) recognised	(484,138)	(472,621)	(472,621)	(15,086,513)	(2,262,977)
Total	1,069,070	160,361	160,361	4,106,277	615,942

	2008		2007		
	Temporary difference	Tax effect	Temporary difference	Tax effect	
		15%		15%	
Temporary difference on depreciation of fixed assets (liability)	25,223,344	2,659,060	3,783,502	27,408,623	4,111,294
Temporary difference on accruals (asset)	(247,371)	(26,078)	(37,106)	(99,743)	(14,961)
Tax loss carry forward (asset) recognised	(454,815)	(472,621)	(518,223)	(466,174)	(219,926)
Total	1,521,158	160,361	228,173	5,842,706	876,407

EUR

As at 31 December 2008 total tax losses amount to LVL 16,484,138 (2007: LVL 15,721,386, LVL 634,873 of which was not recognized for deferred tax purposes as of 31.12.2007). These tax losses have arisen in 2006, 2007 and 2008 and can be carried forward for 8 years (2007: 5 years) from the year of origination. As of 31 December 2008 tax losses have been recognised to the extent they can be used to offset the reversal of existing taxable temporary differences.

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28.EARNINGS PER SHARE

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Basic and diluted earnings per share				
Current year profit (loss)	505,594	719,395	(426,010)	(606,158)
Average number of shares outstanding	23,903,205	34,011,197	23,903,205	34,011,197
Basic and diluted earnings per share	0.0212	0.0302	-0.01782	-0.02536

29.MANAGEMENT REMUNERATION

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Members of the Council:				
Compensation (Tantiemes)	33,003	46,959	54,106	76,986
Social security payments	2,967	4,222	5,184	7,376
Members of the Board:				
Compensation	74,505	106,011	120,378	171,282
Social security payments	3,393	4,828	5,054	7,191
Other management:				
Salary	230,803	328,403	239,416	340,658
Social security payments	35,456	50,449	29,660	42,202
Total	380,127	540,872	453,798	645,696

In 2008 and 2007 the Company has not granted or received any loans from the members of Council, Board or management.

30.TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31.12.2008	31.12.2008	31.12.2007	31.12.2007
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
	LVL	LVL	LVL	LVL
P-D Glasseiden Oschatz GmbH	2,578,964	235,437	2,467,391	382,204
VITRULAN Textilglas GmbH	79,492	1,284	381,583	855
P-D aitec GmbH	-	5,954	27,657	20,855
P-D Interglas Technologies S.A.		12,963	-	-
P-D Management Industries –Technologies	-	773	-	10,494

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P-D Refractories Feuerfestwerke Wetro	-	2,460	-	-
Total	2,658,456	258,871	2,876,631	414,408
	EUR 0.702804	0.702804	0.702804	0.702804
P-D Glasseiden Oschatz GmbH	3,669,535	334,997	3,510,781	543,827
VITRULAN Textilglas GmbH	113,107	1,827	542,944	1,217
P-D aitec GmbH		8,472	39,352	29,674
P-D Interglas Technologies S.A.		18,445		
P-D Management Industries –Technologies		1,100		14,932
P-D Refractories Feuerfestwerke Wetro		3,500		
Total	3,782,642	368,341	4,093,077	589,650

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Sales of goods	22,084,311	31,423,144	23,961,641	34,094,344
Acquisition of fixed assets	1,626,345	2,314,080	345,061	490,978
Purchase of goods	1,560,189	2,219,949	2,118,921	3,014,953
Sales commissions	1,569,025	2,232,521	1,837,152	2,614,032
Received services	49,379	70,260	13,133	18,687
Provided services	141,203	200,914	103,654	147,486

31.FINANCIAL RISK MANAGEMENT

Financial assets consist of loans and receivables, which are carried at amortized cost, and derivatives, which are stated at fair value. Financial liabilities include loans and payables, which are carried at amortized cost. The financial assets and financial liabilities are presented on the face of the balance sheet.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The responsibility for risk management lies with the Finance Department. The Finance Department identifies and evaluates risks and seeks for solutions to avoid financial risks in close co-operation with other Company's operating units.

Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk mainly arising from US dollar fluctuations. Approximately 10% of total sales in 2008 resulted from contracts denominated in USD (2007:9%). The Company's currency risk in US dollars may be specified as follows:

	31.12.2008	31.12.2007
Financial assets, USD	362,531	298,814
Net balance sheet position, USD	362,531	298,814
Net balance sheet position, LVL	179,453	144,626

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The above balance sheet position in US dollar is directly exposed and has direct sensitivity to a reasonably possible change in the US dollar exchange rate thus resulting in direct effect to Company's Profit before tax.

The Bank of Latvia has stated a fixed currency exchange rate for lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Company's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

The Company is using derivative financial instruments to minimize the potential negative impact of foreign currency fluctuations.

Credit risk

The Company has significant exposure of credit risk with its foreign customers. The Company's policy is to ensure that sales of products are carried out with customers having appropriate credit history. Some of the trade receivables are insured. The Company has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance.

As at 31 December 2008, the Company's credit risk exposure to a single customer – related company - amounted to 46.4% of the total trade receivables (31.12.2007.: 49.8%). The Company's credit risk exposure to this customer amounts to LVL 2,607,907 or 4.0% to total assets (31.12.2007.: LVL 2,485,183 or 4.0 % to total assets). In respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and derivatives, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit line. During the reporting period 6 million EUR credit line was available assigned by Hansabanka AS according to the agreement concluded on April 2, 2001. As of 31 December 2008 the assigned credit line facility used was LVL 3,763,747 (2007: LVL 3,571,921) (see Note 14). The Company's current and quick ratios as of 31 December 2008 were 2.24 and 0.63 respectively (as of 31 December 2007 – 2.67 and 0.84 respectively).

The following table detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Up to 1 year	2 to 5 years	Over 5 years	Total
	%	LVL	LVL	LVL	LVL
2008					
Financial assets					
Non-interest bearing financial assets	-	6,375,919	-	-	6,375,919
Financial liabilities					
Non-interest bearing financial liabilities	-	4,162,689	-	-	4,162,689
Finance lease liability	4.93	4,345	-	-	4,345
Variable interest rate instruments	3.83	2,910,411	12,336,621	14,030,814	29,277,846
Fixed interest rate instruments	5.16	3,804,207	-	-	3,804,207
Total financial liabilities		10,881,652	12,336,621	14,030,814	37,249,087

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	Weighted average effective interest rate %	Less than 1 year LVL	1 to 5 years LVL	Over 5 years LVL	Total LVL
2007					
Financial assets					
Non-interest bearing financial assets	-	5,854,797	-	-	5,854,797
Financial liabilities					
Non-interest bearing financial liabilities	-	3,221,105	-	-	3,221,105
Finance lease liability	6.69	17,132	7,819	-	24,951
Variable interest rate instruments	5.59	651,592	10,425,470	13,031,837	24,108,899
Fixed interest rate instruments	3.29	3,689,437	-	-	3,689,437
Total financial liabilities		7,579,266	10,433,289	13,031,837	31,044,392
	Weighted average effective interest rate %	Up to 1 year EUR	2 to 5 years EUR	Over 5 years EUR	Total EUR
2008					
Financial assets					
Non-interest bearing financial assets	-	9,072,115	-	-	9,072,115
Financial liabilities					
Non-interest bearing financial liabilities	-	5,922,973	-	-	5,922,973
Finance lease liability	4.93	6,182	-	-	6,182
Variable interest rate instruments	3.83	4,141,142	17,553,430	19,964,050	41,658,622
Fixed interest rate instruments	5.16	5,412,899	-	-	5,412,899
Total financial liabilities		15,483,196	17,553,430	19,964,050	53,000,676
	Weighted average effective interest rate %	Less than 1 year EUR	1 to 5 years EUR	Over 5 years EUR	Total EUR
2007					
Financial assets					
Non-interest bearing financial assets	-	8,330,626	-	-	8,330,626
Financial liabilities					
Non-interest bearing financial liabilities	-	4,583,220	-	-	4,583,220
Finance lease liability	6.69	24,377	11,125	-	35,502
Variable interest rate instruments	5.59	927,132	14,834,107	18,542,634	34,303,873
Fixed interest rate instruments	3.29	5,249,596	-	-	5,249,596

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Total financial liabilities	10,784,324	14,845,233	18,542,634	44,172,190
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Interest rate risk

The Company has loans with variable EURIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates. The Company has signed an interest rate swap contract with AS SEB Unibanka to minimize the risks associated with variable interest rate fluctuations. The interest swap involves the exchange of floating EURIBOR interest payments and fixed payments. The contract expires on 31 December 2018. As at 31 December 2008, total notional amount of interest rate swap contract is EUR 35,121,914 (LVL 24,683,822) (2007: EUR 36,000,000 (LVL 25,300,944)), the fair value amounts to a liability of LVL 1,103,954 as at 31 December 2008 (2007: asset of LVL 401,217). In the financial statements the derivative is stated at cost.

Fair value of financial instruments

The non-current loans are with variable interest rate and their fair value approximates to their carrying amount. Other financial liabilities and financial assets are with maturity of less than one year, therefore in management's opinion there are no material difference between fair value and carrying value of the financial assets and liabilities.

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34. COMMITMENTS AND CONTINGENCIES*Lease commitments*

On 27 November 2001 the Company signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the cadastral value, which comprise LVL 916,014 as of 31 December 2008 (2007: LVL 243,820).

The total future rent payments (based on current cadastral value) are as follows:

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Within 1 year	45,801	65,169	12,191	17,346
2 to 5 years	183,203	260,674	48,765	69,386
More than 5 years	549,609	782,023	170,674	242,847
Total	778,613	1,107,866	231,630	329,580

Construction and fixed asset purchase agreements

The Company has signed agreements for renovation and purchase of melting equipment in 1-stage manufacturing plant in Valmiera, Cempu Street 13. Total planned project costs amount to LVL 7.4 million.

35. EMISSION RIGHTS

The Company has received a free of charge allowance for emission of CO₂: 48,298 quotas for every year from 2008 to 2012 (total 241,490 quotas). Actual emission in 2008 amounted to 29,919 quotas, remaining emission balance for the period until 2012 is thus 211,571 quotas.

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