



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

Unaudited

Financial Report

as at March 31 2008

as at March 31 2007

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
THE BOARD	Chairman of the Board: Andris Oskars Brutāns, president Members of the Board: Andre Heinz Schwiontek, vicepresident Wilfried Queißer Karl Heinz Will Imants Saulītis Armin Zieschank Friedhelm Schwender
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Andris Bērziņš Hans Peter Cordts Guntis Strazds Aivars Lošmanis Frank Behrends

TABLE OF CONTENTS

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

MANAGEMENT REPORT

The Company's primary business is manufacture and sale of fibreglass and fibreglass products. The products are sold in Europe, USA, Canada, Australia, Russia, the Ukraine and the Baltic States, in 29 countries in total to 93 customers. 71% of the total production is sold to companies in the European Union; export sales comprise 94% of total sales.

Since 2000 the Company operates in accordance with DIN EN 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 2007 the Company received a renewed certificate.

Total sales and net profit for the first 3 months of the last 3 years are as follows:

	Sales		Net profit	
	LVL	EUR	LVL	EUR
2006	8 381 828	11 926 267	368 944	524 960
2007	9 430 966	13 419 056	477 035	678 760
2008	9 713 699	13 821 348	441 682	628 457

During 2008, the Company has invested LVL 0.11 million in fixed assets to increase the manufacturing capacity.

Main production types in 2008 were fibreglass textiles (56%) and threads (37%).

The net profit for the first 3 months of 2008 was LVL 0.44 million, which is LVL 0.77 million more than planned.

The net profit for the first 3 months of 2008 has increased as the company's net sales amount increased and actual costs were less than planned.

The share value of JSC Valmieras stikla šķiedra listed in Riga Stock Exchange decreased by LVL 0.70 or 53.4% i.e., from LVL 1.31 as of 27 December 2007 to LVL 0.61 as of 31.03.2008.

The board has developed a strategic plan for 2008 to 2010. After the council approval in May 2008 the key financial ratios will be announced to shareholders in the annual meeting.

In the second half of 2007, the Company started to work on the development of information systems in order to increase the manufacturing and labour efficiency.

For the preparation of the unrevised abridged financial statement for the 1st quarter of 2008 preparation we used the revised statement accounting policy of 2007.

Andris Oskars Brutāns
Chairman of the Board
29 May 2008

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 march 2008 AND 31 December 2007

	2008.03.31		2007.03.31	
	LVL	EUR	LVL	EUR
		0,702804		0,702804
ASSETS				
<i>Non-current assets</i>				
<i>Intangible assets</i>				
Patents and licenses	48 273	68 686	64 711	92 075
Other intangible assets				
Total intangible assets	48 273	68 686	64 711	92 075
<i>Fixed assets</i>				
Buildings	11 230 259	15 979 219	11 265 366	16 029 172
Equipment and machinery	27 263 094	38 791 888	28 942 877	41 182 004
Other fixed assets	493 451	702 118	584 869	832 194
Construction in progress	392 965	559 139	120 307	171 181
Advance payments for fixed assets	177 617	252 726	1 510 923	2 149 850
Total fixed assets	39 557 386	56 285 089	42 424 342	60 364 400
Total non-current assets	39 605 659	56 353 776	42 489 053	60 456 476
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	7 301 393	10 388 946	6 588 447	9 374 516
Work in process	2 480 309	3 529 162	2 375 066	3 379 414
Finished goods	5 359 058	7 625 253	2 517 988	3 582 774
Advance payments for goods	194 078	276 148	69 624	99 066
Total inventory	15 334 838	21 819 509	11 551 125	16 435 770
<i>Accounts receivable</i>				
Due from related parties	6 705 373	9 540 886	5 817 622	8 277 730
Other receivables	308 950	439 596	223 089	317 427
Deferred expenses	130 931	186 298	372 562	530 108
Total accounts receivable	7 145 254	10 166 780	6 413 273	9 125 265
Derivatives	375 410	534 160		
Cash	144 117	205 060	527 039	749 909
Total current assets	22 999 619	32 725 510	18 491 437	26 310 945
TOTAL ASSETS	62 605 278	89 079 285	60 980 490	86 767 420

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 March 2008 AND 31 December 2007

	2007.03.31		2006.03.31	
	LVL	EUR	LVL	EUR
		0,702804		0,702804
LIABILITIES & SHAREHOLDERS' EQUITY				
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 438 167	6 314 943	4 541 137	6 461 456
b) current year profit	441 682	628 457	477 035	678 760
Total shareholders' equity	28 783 054	40 954 596	28 921 377	41 151 412
Liabilities				
Non-current liabilities				
Due to credit institutions	24 683 822	35 121 915	25 300 919	35 999 964
Finance lease	6 262	8 910	5 988	8 520
Deferred tax	676 123	962 036	750 552	1 067 939
Total non-current liabilities	25 366 207	36 092 861	26 057 459	37 076 424
Current liabilities				
Due to credit institutions	4 464 713	6 352 714	3 182 315	4 528 026
Finance lease	11 470	16 320	17 986	25 592
Advance payments from customers	92 825	132 078	23 839	33 920
Trade payables	3 046 996	4 335 485	1 880 592	2 675 841
Taxes and social security payments	242 349	344 832	219 686	312 585
Other accounts payable	274 857	391 086	241 326	343 376
Accrued liabilities	314 607	447 645	301 880	429 537
Deferred income	8 200	11 668	1 200	1 707
Derivatives			132 830	189 000
Total current liabilities	8 456 017	12 031 828	6 001 654	8 539 584
Total liabilities	33 822 224	48 124 689	32 059 113	45 616 008
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY				
	62 605 278	89 079 285	60 980 490	86 767 420

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 March 2008 AND 31 March 2007

	2008.03.31		2007.03.31	
	LVL	EUR	LVL	EUR
		0,702804		0,702804
Revenues	9 713 699	13 821 348	9 430 966	13 419 056
Changes in inventories				
Work performed by the entity and capitalised	(1 217 284)	(1 732 039)	(178 225)	(253 591)
Other operating income	78 037	111 037	150 028	213 471
Raw materials and consumables	(5 245 100)	(7 463 105)	(4 076 105)	(5 799 775)
Personnel expenses	(1 819 363)	(2 588 720)	(1 528 494)	(2 174 851)
Depreciation and amortization	(1 523 245)	(2 167 382)	(1 285 106)	(1 828 541)
Other operating expenses	(1 562 272)	(2 222 913)	(1 685 989)	(2 398 946)
Profit from operations	859 040	1 222 304	827 075	1 176 822
Interest - and similar income	227	323	317	451
Interest - and similar expenses	(417 585)	(594 170)	(286 691)	(407 925)
Profit before taxes	441 682	628 457	540 701	769 348
Corporate income tax			(63 666)	(90 589)
Net profit	441 682	628 457	477 035	678 760
Basic earnings per share	0,0185	0,0263	0,0200	0,0285

STATEMENTS OF CASH FLOWS	2008 Year 3 months		2007 Year 3 months	
	LVL	EUR	LVL	EUR
I OPERATING ACTIVITIES		0,702804		0,702804
1. Profit before taxes	441 682	628 457	540 701	769 348
Adjustments:				
2. Depreciation and amortization	1 523 245	2 167 382	1 285 106	1 828 541
3. Depletion of precious metals	36 438	51 847	32 602	46 388
4. Provisions for vacations and bonuses for board and council members	174 500	248 291	116 300	165 480
5. Loss from disposal of fixed assets	(1 618)	(2 302)	8 862	12 609
6. Calculated interest income	(0 227)	(0 323)	(0 195)	(0 277)
7. Calculated interest expenses	342 130	486 807	313 103	445 505
8. Changes in fair value of derivatives	(25 807)	(36 720)	(42 851)	(60 971)
Changes in operating assets and liabilities:				
1. Inventory	(1 216 939)	(1 731 548)	18 049	25 681
2. Accounts receivable	(1 674 337)	(2 382 367)	(991 709)	(1 411 075)
3. Accounts payable	202 582	288 248	(1 753 238)	(2 494 633)
Cash provided by operating activities	(146 283)	(208 142)	(473 270)	(673 403)
II INVESTING ACTIVITIES				
1. Repaid loan	(236 283)	(336 200)	(934 742)	(1 330 018)
2. Received credit line	1 618	2 302	134 136	190 858
3. Paid credit line	227	323	195	277
Net cash provided by / (used) financing activities	(234 438)	(333 575)	(800 411)	(1 138 882)
III FINANCING ACTIVITIES				
1. Received loans from credit institution				
2. Repaid loan				
3. Received kredit	11 034 316	15 700 417	9 463 819	13 465 801
4. Paid credit line	(10 758 621)	(15 308 139)	(7 913 418)	(11 259 779)
5. Paid finance lease	(5 655)	(8 046)	(4 495)	(6 396)
6. Interest expenses paid	(342 130)	(486 807)	(313 103)	(445 505)
Net cash provided by / (used in) financing activities	(72 090)	(102 575)	1 232 803	1 754 121
Net decrease in cash	(452 811)	(644 292)	(40 878)	(58 164)
Cash at the beginning of the year	596 928	849 352	567 917	808 073
Cash at the end of the period	144 117	205 060	527 039	749 909

Statements of shareholders' equity
In 3 months of 2008

	rate of exchange				0,702804	0,702804	0,702804
	Share capital LVL	Statutory reserves LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
As of 31 march 2006	23 903 205		4 501 142	28 404 347	34 011 197	6 404 548	40 415 745
Dividends paid			(310 742)	(310 742)		(442 146)	(442 146)
Current IV-XII 2006 profit			350 737	350 737		499 054	499 054
As of 31 december 2006	23 903 205	0	4 541 137	28 444 342	34 011 197	6 461 456	40 472 652
Current 3 Months 2007 profit			477 035	477 035		678 760	678 760
Dividends paid			(167 323)	(167 323)		(238 079)	(238 079)
Current IV-XII 2007 profit			(412 682)	(412 682)		(587 194)	(587 194)
As of 31 december 2007	23 903 205	0 000	4 438 167	28 341 372	34 011 197	6 314 943	40 326 139
Current 3 Months 2008 profit			441 682	441 682		628 457	628 457
As of 31 march 2008	23 903 205	0	4 879 849	28 783 054	34 011 197	6 943 400	40 954 596

Andris Oskars Brutāns
 Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 31 March 2008 and 2007 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 31 March 2008 and 2007 was 23.903.205, consisting of 23.897.455 ordinary shares with voting rights and 5.750 ordinary shares without voting rights. The nominal value of each share is LVL 1.

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

	2008	2007
	3 Months	3 Months
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrulan International GmbH	36.2%	–
Vitrulan Textilglas GmbH	–	30.8%
Skandinaviska Enskilda Banken Ab	2.2%	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	6.4%	7.0%
	100,0%	100,0%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2008		2007	
	3 Months		3 Months	
	LVL	EUR	LVL	EUR
Raw materials	3 693 115	5 254 829	2 929 274	4 167 981
Electricity	493 601	702 331	460 032	654 567
Ore processing costs	115 091	163 760	96 578	137 418
Natural gas	656 320	933 859	466 810	664 211
Depletion of ore	36 437	51 845	32 602	46 388
Other	250 536	356 481	90 809	129 210
Total	5 245 100	7 463 105	4 076 105	5 799 775

2. PERSONNEL EXPENSES

Salaries	1 216 975	1 731 599	1 096 645	1 560 385
Social security payments	308 381	438 787	251 259	357 509
Illness and vacation expenses	86 745	123 427	82 586	117 509
Provisions for bonuses of Board and Council	50 600	71 997	80 400	114 399
Insurance of employees	14 282	20 321	14 074	20 025
Other	142 380	202 588	17 604	25 048
Total	1 819 363	2 588 720	1 542 568	2 194 877

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	1 517 180	2 158 753	1 279 366	1 820 374
Intangible asset amortisation	6 065	8 630	5 740	8 167
Total	1 523 245	2 167 382	1 285 106	1 828 541

4. OTHER OPERATING EXPENSES

Transportation	560 867	798 042	524 709	746 594
Commission	428 273	609 378	486 271	691 901
Service costs	189 146	269 131	177 061	251 935
Repairs	110 924	157 831	113 798	161 920
Maintenance expenses	89 880	127 888	74 071	105 394
Insurance	37 030	52 689	39 496	56 198
Business trips	29 410	41 847	27 608	39 283
Expenses relating to personnel	37 540	53 415	19 779	28 143
Communications	13 342	18 984	12 782	18 187

	2008		2007	
	3 months		3 months	
	LVL	EUR	LVL	EUR
		0,702804		0,702804
Leasing	13 014	18 517	12 953	18 430
Property tax	16 531	23 521	1 093	1 555
Office expenses	8 971	12 765	10 442	14 858
Selling expenses	2 032	2 891	4 402	6 263
Increase in doubtful debts	6 000	8 537	2 100	2 988
Other	19 312	27 479	165 352	235 275
Total	1 562 272	2 222 913	1 671 917	279 369

3. TRADE RECEIVABLES

	2008		2007	
	3 months		3 months	
	LVL	EUR	LVL	EUR
		0,702804		0,702804
P-D Glasseiden Oschatz GmbH	3 108 908	4 423 578	2 988 699	4 252 536
P-D Aitec GmbH	17 563	24 990	42 272	60 148
Vitrolan Textilglas GmbH	554 190	788 541	531 759	756 625
P-D Glasfaser Brattendorf GmbH	3024712			
Other trade receivables		0 000	2 254 892	3 208 422
	6 705 373	5 237 109	5 817 622	8 277 730

Andris Oskars Brutāns

Chairman of the Board