



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

UNAUDITED

Financial Report

as at June 30, 2008

as at June 30, 2007

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, September 30, 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 Armin Zieschank Friedhelm Schwender
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Frank Behrends Hans Peter Cordts Guntis Strazds Aivars Lošmanis

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MANAGEMENT REPORT

The Company's primary business is manufacture and sale of fibreglass and fibreglass products. The production is sold in Europe, USA, Canada, Australia, Russia, Ukraine and the Baltic states, total in 29 countries 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 last 3 years 6 months are as follows:

	Sales thousand LVL	Net profit LVL
2006	18 273 172	315 761
2007	18 906 310	755 438
2008	20 588 919	625 140

During 2008, the Company has invested LVL 0.36 million in fixed assets to increase the manufacturing capacity.

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

The net profit for the first 6 months of 2008 was LVL 0.625 million - LVL 0.936 million more than planned.

The net profit for the first 6 months of 2008 has increased, as actual costs were less than planned.

The share value of JSC Valmieras stikla šķiedra listed in Riga Stock Exchange decreased by LVL 0.77 or 58.8% i.e., from LVL 1.31 as of 27 December 2007 to LVL 0.54 as of 30.06.2008.

The board has developed a strategic plan for 2008 to 2010. The company's envisioned sales for 2008 are LVL 41.3 million, expected net profit - around 20.000 LVL.

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

The unrevised abridged financial statement for 6 months of year 2008 preparation were used revised year 2007 statement accounting policy.

Andris Oskars Brutāns
Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of JSC "Valmieras Stikla Šķiedra "(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 30 Juny 2008 and the results of its operations and cash flows for the year ended 30 Juny 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 6 to 12. The management also confirms that applicable International Financial Reporting Standards as adopted by the European Union 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

Andri Oskars Brutāns

Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 june 2008 AND 30 june 2007

	2008	CURRENCY	2007	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/06 /2008EUR		on30/06 /2007EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	42 273	60 149	64 159	91 290
Other intangible assets	16 000	22 766		
Total intangible assets	58 273	82 915	64 159	91 290
<i>Fixed assets</i>				
Land and buildings	11 006 296	15 660 548	11 716 705	16 671 369
Equipment and machinery	26 077 637	37 105 135	28 199 617	40 124 440
Other fixed assets	470 824	669 922	537 696	765 072
Construction in progress	558 436	794 583	615 224	875 385
Advance payments for fixed assets	1 404 854	1 998 927	1 313 217	1 868 539
Total fixed assets	39 518 047	56 229 115	42 382 459	60 304 806
Total non-current assets	39 576 320	56 312 030	42 446 618	60 396 096
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	7 385 356	10 508 415	6 715 879	9 555 835
Work in progress	2 559 100	3 641 271	2 369 736	3 371 831
Finished goods	5 065 528	7 207 597	2 573 030	3 661 092
Advance payments for inventories	173 744	247 215	103 180	146 812
Total inventory	15 183 728	21 604 499	11 761 825	16 735 569
<i>Accounts receivable</i>				
Trade receivables	6 728 441	9 573 709	6 165 867	8 773 238
Other receivables	287 722	409 392	261 673	372 327
Deferred expenses	112 716	160 380	401 497	571 279
Total accounts receivable	7 128 879	10 143 481	6 829 037	9 716 844
Derivatives	385 783	548 920		
Cash and cash equivalents	468 543	666 677	302 880	430 959
Total current assets	23 166 933	32 963 576	18 893 742	26 883 373
TOTAL ASSETS	62 743 253	89 275 606	61 340 360	87 279 469

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 June 2008 AND 30 June 2007

	2008	CURRENCY	2007	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/06 2008 EUR		on 30/06 2007 EUR
LIABILITIES & SHAREHOLDERS EQUITY		0.702804		0.702804
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 438 167	6 314 943	4 373 814	6 223 377
b) current year profit	625 140	889 494	755 438	1 074 891
Total shareholders' equity	28 966 512	41 215 633	29 032 457	41 309 465
Liabilities				
Non-current liabilities				
Due to credit institutions	25 581 092	36 398 615	25 300 919	35 999 964
Finance lease	5 518	7 851	1 493	2 124
Deferred tax	676 123	962 036	756 552	1 076 477
Total non-current liabilities	26 262 733	37 368 502	26 058 964	37 078 565
Current liabilities				
Due to credit institutions	4 165 567	5 927 068	3 072 320	4 371 518
Finance lease	6 540	9 306	17 986	25 592
Advance payments from customers	31 496	44 815	51 731	73 607
Trade payables	2 416 785	3 438 775	2 352 979	3 347 987
Taxes and social security payments	248 775	353 975	207 705	295 538
Other accounts payable	247 439	352 074	215 474	306 592
Accrued liabilities	389 206	553 790	153 200	217 984
Deferred	8 200	11 668	8 200	11 668
Derivatives	–	–	82 481	117 360
Dividend for the financial year	–	–	86 863	123 595
Total current liabilities	7 514 008	10 691 470	6 248 939	8 891 439
Total liabilities	33 776 741	48 059 973	32 307 903	45 970 004
Total liabilities & shareholders' equity	62 743 253	89 275 606	61 340 360	87 279 469

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 30 June 2008 AND 30 June 2007

	30.06.2008		30.06.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	20 588 919	29 295 392	18 906 310	26 901 256
Changes in inventories	1 002 544	1 426 492	(128 513)	(182 858)
Other operating income	188 110	267 656	191 611	272 638
Raw materials and consumables	(10 319 290)	(14 683 027)	(8 523 629)	(12 128 031)
Personnel expenses	(3 643 132)	(5 183 710)	(3 119 977)	(4 439 327)
Depreciation and amortization	(3 039 138)	(4 324 304)	(2 609 930)	(3 713 596)
Other operating expenses	(3 302 518)	(4 699 060)	(3 347 915)	(4 763 654)
Profit from operations	1 475 495	2 099 440	1 367 957	1 946 427
Interest - and similar income	396	563	723	1 029
Interest - and similar expenses	(850 751)	(1 210 510)	(543 576)	(773 439)
Profit before taxes	625 140	889 494	825 104	1 174 017
Corporate income tax			(69 666)	(99 126)
Net profit	625 140	889 494	755 438	1 074 891
Basic earnings per share	0.0262	0.0373	0.0316	0.0450

JSC VALMIERAS STIKLA SKIEDRA

	2008 Year 6 months LVL	2008Year 6 months EUR	2007 Year 6 months LVL	2007 Year 6 months EUR
STATEMENTS OF CASH FLOWS				
I OPERATING ACTIVITIES				
1. Profit before taxes	625 140	889 494	825 104	1 174 017
Adjustments:				
2. Depreciation and amortization	3 039 138	4 324 304	2 609 930	3 713 596
3. Depletion of precious metals	69 930	99 501	64 419	91 660
4. Accruals for vacations and bonuses for board and council members	241 232	343 242	62 500	88 929
5. Profit or loss from disposal of fixed assets	(5 695)	(8 103)	8 035	11 433
6. Calculated interest income	(0 396)	(0 563)	(0 723)	(1 029)
7. Calculated interest expenses	713 553	1 015 294	563 880	802 329
8. Changes in fair value of derivatives	(15 434)	(21 961)	(93 200)	(132 612)
Changes in operating assets and liabilities:				
1. Inventory	(1 065 829)	(1 516 538)	(192 651)	(274 118)
2. Accounts receivable	(1 657 962)	(2 359 067)	(1 407 473)	(2 002 654)
3. Accounts payable	(509 950)	(725 593)	(1 290 792)	(1 836 632)
Cash provided by operating activities	1 464 595	2 083 931	1 149 029	1 634 921
II INVESTING ACTIVITIES				
1. Purchase of fixed assets	(1 748 254)	(2 487 541)	(2 342 608)	(3 333 231)
2. Proceeds from sale of fixed assets	5 940	8 452	140 744	200 261
3. Received interest income	0 396	0 563	0 723	1 029
Net cash used in investing activities	(1 741 918)	(2 478 526)	(2 201 141)	(3 131 941)
III FINANCING ACTIVITIES				
1. Received loans from credit institution	897 270	1 276 700	—	—
2. Received credit line	22 160 574	31 531 656	18 912 378	26 909 890
3. Paid credit line	(22 184 025)	(31 565 024)	(17 471 972)	(24 860 376)
4. Finance lease payments	(11 328)	(16 118)	(8 991)	(12 793)
5. Dividends paid	—	—	(80 460)	(114 484)
6. Interest expenses paid	(713 553)	(1 015 294)	(563 880)	(802 329)
Net cash provided by financing activities	148 938	211 920	787 075	1 119 907
Net decrease in cash	(128 385)	(182 675)	(265 037)	(377 114)
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 period	468 543	666 677	302 880	430 959

JSC "Valmieras stikla šķiedra "

Statements of shareholders' equity

In 6 months of 2008

	rate of exchange			0.702804		
	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
AS of 31 december 2006	23 903 205	4 541 137	28 444 342	34 011 197	6 461 456	40 472 652
Current 6 Months 2006 profit		755 438	755 438		1 074 891	1 074 891
Dividends paid		(80 460)	(80 460)		(114 484)	(114 484)
Unpaid dividends		(86 863)	(86 863)		(123 595)	(123 595)
Current VII-XII 2007profit		(691 085)	(691 085)		(983 325)	(983 325)
AS of 31 december 2007	23 903 205	4 438 167	28 341 372	34 011 197	6 314 943	40 326 140
Current 6 Months 2008 profit		625 140	625 140		889 494	889 494
Dividends paid		-	-			
Current of 30 june 2008	23 903 205	5 063 307	28 966 512	34 011 197	7 204 437	41 215 634

Andris Oskars Brutāns

Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 30 June 2008 and 2007 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30 June 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 30 June 2008 and 2007 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2008	2007
	6 Months	6 Months
P-D Glasseiden Oschatz GmbH	45.3%	45.3%
Vitrulan Textilglas GmbH	–	30.8%
Vitrulan International GmbH	36.2%	–
Skandinaviska Enskilda Banken Ab	2.2%	2.9%
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%	7.4%
	100.00%	100.00%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2008	EUR	2007	EUR
	6 Months		6 Months	
	LVL	0.702804	LVL	0.702804
Raw materials	6 968 831	9 915 753	6 150 898	8 751 939
Electricity	1 185 872	1 687 344	930 621	1 324 154
Ore processing costs	185 354	263 735	199 201	283 437
Natural gas	1 288 834	1 833 846	913 736	1 300 129
Depletion of ore	69 930	99 501	64 419	91 660
Other	620 469	882 848	264 754	376 711
Total	10 319 290	14 683 027	8 523 629	12 128 031

2. PERSONNEL EXPENSES

Salaries	2 489 047	3 541 595	2 260 346	3 216 183
Social security payments	634 551	902 885	540 187	768 617
Illness and vacation expenses	214 138	304 691	222 702	316 876
Provisions for bonuses of Board and Council	69 300	98 605	62 500	88 929
Insurance of employees	28 816	41 001	25 242	35 916
Other	207 280	294 933	34 242	48 722
Total	3 643 132	5 183 710	3 145 219	4 475 243

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	3 027 073	4 307 137	2 598 321	3 697 078
Intangible asset amortisation	12 065	17 167	11 609	16 518
Total	3 039 138	4 324 304	2 609 930	3 713 596

4. OTHER OPERATING EXPENSES

Transportation	1 162 981	1 654 773	1 085 104	1 543 964
Commission	890 349	1 266 852	948 488	1 349 577
Service costs	336 451	478 727	383 255	545 323
Repairs	260 465	370 608	227 716	324 011
Maintenance expenses	208 641	296 869	174 617	248 458
Insurance	101 455	144 357	69 374	98 710
Business trips	65 520	93 227	67 772	96 431
Expenses relating to personnel	91 634	130 383	80 474	114 504
Communications	27 261	38 789	26 588	37 831
Leasing	49 934	71 050	27 785	39 534
Property tax	23 207	33 021	16 757	23 843
Office expenses	21 197	30 161	19 162	27 265
Selling expenses	3 440	4 895	14 537	20 684
Increase in doubtful debts	10 000	14 229	2 100	2 988
Other	49 983	71 119	178 941	254 610
Total	3 302 518	4 699 060	3 322 670	4 727 733

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3. TRADE RECEIVABLES

	2008	EUR	2007	EUR
	6 months		6 months	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	2 628 736	3 740 354	2 960 345	4 212 191
P-D Aitec GmbH	14 881	21 174	23 918	34 032
Vitrolan Textilglas GmbH	506 896	721 248	620 968	883 558
Other trade receivables	3 577 928	5 090 933	2 560 636	3 643 457
	6 728 441	9 573 709	6 165 867	8 773 238

Andris Oskars Brutāns

Chairman of the Board