



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

Unaudited

Financial report

as at September 30, 2008
as at September 30, 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: 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. 73% of the total production is sold to companies in the European Union; export sales comprise 95% 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 9 months are as follows:

	Sales		Net profit	
	LVL	EUR	LVL	EUR
2006	26 927 597	38 314 519	40 868	58 150
2007	28 701 191	40 838 116	442 714	629 925
2008	30 541 810	43 457 080	647 421	921 197

During 2008, the Company has invested LVL 2.12 million (EUR 3.02 million) in fixed assets to increase its manufacturing capacity.

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

The net profit for the first 9 months of 2008 was LVL 0.647 mill. (EUR 0.921 mill.), i.e. by LVL 0.922 mill. (EUR 1.312 mill.) more than planned in 9 months 2008.

The net profit for the first 9 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 0.97 (EUR 1.38) or 74.0% from LVL 1.31 as of 27 December 2007 to LVL 0.34 as of 30.09.2008.

The board has developed a strategic plan for 2008 to 2010. The Company's expected sales for 2008 are LVL 39.2million, (EUR 55.78 million), net profits LVL 558 thousand (EUR 794.000).

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.

For the preparation of the unrevised abridged financial statement for as per 9 months of 2008 we used the revised statement accounting policy of 2007.

Andris Oskars Brutāns
Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 september 2008 AND 30 september 2007

	2008	CURRENCY	2007	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/09/2008EUR		on30/09/2007EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	39 109	55 647	58 510	83 252
Other intangible assets	16 000	22 766		0 000
Total intangible assets	55 109	78 413	58 510	83 252
<i>Fixed assets</i>				
Land and buildings	10 778 181	15 335 970	11 579 297	16 475 855
Equipment and machinery	24 953 272	35 505 307	28 031 616	39 885 396
Other fixed assets	420 950	598 958	538 021	765 535
Construction in progress	2 218 806	3 157 077	1 413 911	2 011 814
Advance payments for fixed assets	1 499 167	2 133 122	1 567	2 230
Total fixed assets	39 870 376	56 730 434	41 564 412	59 140 830
Total non-current assets	39 925 485	56 808 847	41 622 922	59 224 082
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	7 580 909	10 786 662	6 893 790	9 808 979
Work in progress	2 432 562	3 461 224	2 556 368	3 637 384
Finished goods	5 345 674	7 606 209	2 879 958	4 097 811
Advance payments for inventories	15 013	21 362	142 222	202 364
Total inventory	15 374 158	21 875 456	12 472 338	17 746 538
<i>Accounts receivable</i>				
Trade receivables	6 800 274	9 675 918	5 705 155	8 117 704
Other receivables	364 209	518 223	275 158	391 515
Deferred expenses	110 024	156 550	304 462	433 210
Total accounts receivable	7 274 507	10 350 691	6 284 775	8 942 429
Derivatives	440 433	626 680	—	—
Cash and cash equivalents	645 969	919 131	380 399	541 259
Total current assets	23 735 067	33 771 958	19 137 512	27 230 226
TOTAL ASSETS	63 660 552	90 580 805	60 760 434	86 454 309

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 september 2008 AND 30 september 2007

	2008	CURRENCY	2007	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/09 2008 EUR		on 30/09 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	647 421	921 197	442 714	629 925
Total shareholders' equity	28 988 793	41 247 336	28 719 733	40 864 498
Liabilities				
Non-current liabilities				
Due to credit institutions	26 805 452	38 140 722	25 300 919	35 999 964
Finance lease	4 741	6 746	10 847	15 434
Deferred tax	711 123	1 011 837	706 552	1 005 333
Total non-current liabilities	27 521 316	39 159 305	26 018 318	37 020 731
Current liabilities				
Due to credit institutions	3 727 605	5 303 904	2 678 463	3 811 109
Finance lease	612	0 871	23 245	33 075
Advance payments from customers	23 415	33 317	24 403	34 722
Trade payables	2 509 223	3 570 303	2 497 965	3 554 284
Taxes and social security payments	239 176	340 317	225 733	321 189
Other accounts payable	251 501	357 854	233 271	331 915
Accrued liabilities	390 711	555 932	276 800	393 851
Deferred	8 200	11 668	8 200	11 668
Derivatives		0 000	18 976	27 000
Dividend for the financial year		0 000	35 327	50 266
Total current liabilities	7 150 443	10 174 164	6 022 383	8 569 079
Total liabilities	34 671 759	49 333 469	32 040 701	45 589 810
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	63 660 552	90 580 805	60 760 434	86 454 309

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 30 SEPTEMBER 2008 AND 30 SEPTEMBER 2007

	30.09.2008		30.09.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	30 541 810	43 457 080	28 701 191	40 838 116
Changes in inventories	1 156 153	1 645 058	365 047	519 415
Other operating income	286 053	407 017	213 760	304 153
Raw materials and consumables	(15 231 138)	(21 671 957)	(13 658 633)	(19 434 484)
Personnel expenses	(5 387 962)	(7 666 379)	(4 920 607)	(7 001 393)
Depreciation and amortization	(4 550 239)	(6 474 407)	(4 064 407)	(5 783 130)
Other operating expenses	(5 020 316)	(7 143 266)	(5 197 690)	(7 395 647)
Profit from operations	1 794 361	2 553 146	1 438 661	2 047 030
Interest - and similar income	929	1 322	6228	8 862
Interest - and similar expenses	(1 112 869)	(1 583 470)	(982 509)	(1 397 984)
Profit before taxes	682 421	970 998	462 380	657 907
Corporate income tax	(35 000)	(49 801)	(19 666)	(27 982)
Net profit	647 421	921 197	442 714	629 925
Basic earnings per share	0.0271	0.0386	0.0185	0.0263

JSC VALMIERAS STIKLA SKIEDRA

STATEMENTS OF CASH FLOWS	2008 Year 9 months LVL	2008 Year 9 months EUR	2007 Year 9 months LVL	2007 Year 9 months EUR
I OPERATING ACTIVITIES		0.702804		0.702804
1. Profit before taxes	682 421	970 998	462 380	657 907
Adjustments:				
2. Depreciation and amortization	4 550 239	6 474 407	4 920 607	7 001 393
3. Depletion of precious metals	104 803	149 121	95 578	135 995
4. Provisions for vacations and bonuses for board and council members	172 191	245 006	126 100	179 424
5. Loss from disposal of fixed assets	(5 695)	(8 103)	7 787	11 080
6. Calculated interest income	(0 929)	(1 322)	(6 228)	(8 862)
7. Calculated interest expenses	1 089 764	1 550 594	1 027 889	1 462 554
8. Change in value of derivatives	(39 216)	(55 799)	(156 705)	(222 971)
Changes in operating assets and liabilities:				
1. Inventory	(1 256 259)	(1 787 496)	(903 164)	(1 285 087)
2. Accounts receivable	(1 803 590)	(2 566 277)	(863 211)	(1 228 239)
3. Accounts payable	(431 130)	(613 443)	(1 101 982)	(1 567 979)
Cash provided by operating activities	3 062 599	4 357 686	3 609 051	5 135 217
II INVESTING ACTIVITIES				
1. Purchase of fixed assets	(2 348 487)	(3 341 596)	(3 843 118)	(5 468 264)
2. Proceeds from sale of fixed assets	5 940	8 452	148 035	210 635
3. Received interest income	929	1 322	6 228	8 862
Net cash provided by / (used) financing activities	(2 341 618)	(3 331 822)	(3 688 855)	(5 248 768)
III FINANCING ACTIVITIES				
1. Received loan from credit institution	897 270	1 276 700	–	–
2. Received credit line	31 572 804	44 924 053	27 580 499	39 243 515
3. Paid credit line	(32 034 216)	(45 580 583)	(26 533 950)	(37 754 409)
4. Paid finance lease	(18 034)	(25 660)	5 622	7 999
5. Dividends paid	–	–	(131 996)	(187 813)
6. Interest expenses paid	(1 089 764)	(1 550 594)	(1 027 889)	(1 462 554)
Net cash provided by / (used in) financing activities	(671 940)	(956 084)	(107 714)	(153 263)
Net decrease in cash	(49 041)	(69 779)	(187 518)	(266 814)
Cash at the beginning of the year	596 928	849 352	567 917	808 073
Cash at the end of the period	645 969	919 131	380 399	541 259

Statements of shareholders' equity

In 9 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 9 months 2007		442 714	442 714		629 925	629 925
Dividends paid		(131 996)	(131 996)		(187 813)	(187 813)
Unpaid dividends		(35 327)	(35 327)		(50 266)	(50 266)
As of 30september 2007	23 903 205	4 816 528	28 719 733	34 011 197	6 853 302	40 864 498
CurrentX-XII 2007profit		(378 361)	(378 361)		(538 359)	(538 359)
As of 31.december 2007	23 903 205	4 438 167	28 341 372	34 011 197	6 314 943	40 326 139
Current 9months 2008		647 421	647 421		921 197	921 197
As of 30 september 2008	23 903 205	5 085 588	28 988 793	34 011 197	7 236 140	41 247 336

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 September 30 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 of 30 September 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	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 FOR "PROFIT OR LOSS ACCOUNT"

1. MATERIAL EXPENSES

	2008		2007	
	9Months	EUR	9Months	EUR
	LVL	0.702804	LVL	0.702804
Raw materials	10 173 227	14 475 198	9 859 493	14 028 795
Electricity	1 882 353	2 678 347	1 426 619	2 029 896
Ore processing costs	256 389	364 809	305 662	434 918
Natural gas	1 912 101	2 720 675	1 427 444	2 031 070
Depletion of ore	104 803	149 121	95 578	135 995
Other	902 265	1 283 807	543 837	773 810
Total	15 231 138	21 671 957	13 658 633	19 434 484

2. PERSONNEL EXPENSES

Salaries	3 697 838	5 261 549	3 443 338	4 899 429
Social security payments	969 620	1 379 645	844 681	1 201 873
Illness and vacation expenses	458 431	652 289	454 733	647 027
Provisions for bonuses of Board and Council	56 100	79 823	126 100	179 424
Insurance of employees	44 801	63 746	43 367	61 706
Other	161 172	229 327	51 755	73 641
Total	5 387 962	7 666 379	4 963 974	7 063 099

3. DEPRECIATION AND AMORTIZATION

Fixed asset depreciation	4 532 349	6 448 952	4 046 779	5 758 048
Intangible asset amortization	17 890	25 455	17 628	25 082
Total	4 550 239	6 474 407	4 064 407	5 783 130

4. OTHER OPERATING EXPENSES

Transportation	1 767 656	2 515 148	1 649 908	2 347 608
Commission	1 339 484	1 905 914	1 413 249	2 010 872
Service costs	520 195	740 171	663 456	944 013
Repairs	400 794	570 278	373 877	531 979
Maintenance expenses	326 688	464 835	267 916	381 210
Insurance	153 057	217 780	135 678	193 052
Business trips	98 045	139 505	107 023	152 280
Expenses relating to personnel	155 100	220 687	78 281	111 384
Communications	43 254	61 545	40 475	57 591
Leasing	75 815	107 875	46 005	65 459
Property tax	37 159	52 872	58 757	83 604
Office expenses	36 775	52 326	29 154	41 482
Selling expenses	10 407	14 808	32 503	46 248
Increase in doubtful debts	10 000	14 229	6 300	8 964
Other	45 887	65 291	251 741	358 195
Total	5 020 316	7 143 266	5 154 323	7 333 941

3. TRADE RECEIVABLES

	2008	EUR	2007	EUR
	9 month		9 month	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	2 628 321	3 739 764	2 411 107	3 430 696
P-D Aitec GmbH	4 473	6 365	55 970	79 638
Vitrolan Textilglas GmbH	376 445	535 633	653 399	929 703
Other trade receivables	3 791 035	5 394 157	2 584 679	3 677 667
	6 800 274	9 675 918	5 705 155	8 117 704

Andris Oskars Brutāns

Chairman of the Board