



***AS Valmieras Stikla Skiedra***

*Annual report for the year 2009  
prepared in accordance with  
Latvian statutory requirements  
and Independent Auditor's Report*

*This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

**AS VALMIERAS STIKLA SKIEDRA**

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## AS VALMIERAS STIKLA SKIEDRA

### ANCILLARY INFORMATION

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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 Friedhelm Schwender Dainis Šēnbergs (from 29.05.2009) Stefan Jugel (from 29.05.2009) Imants Saulītis (till 29.05.2009) Armin Zieschank (till 29.05.2009)
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 2009 - 31 December 2009
PRIOR REPORTING YEAR	1 January 2008 - 31 December 2008
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

## AS VALMIERAS STIKLA SKIEDRA

### MANAGEMENT REPORT

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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 31 countries. 74% of the total production is sold to companies in the other countries of the European Union; export sales comprise 95% of total sales.

Since 2000 the operations of the Company are certified according to ISO 9001:2008 requirements. Compliance with these requirements is audited by the German Quality management system certification company DQS GmbH once per three years. On 4 March 2009 the Company received quality management system certificate which is valid until 5 March 2012.

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

	Sales thousand LVL	Net profit / (loss) LVL
2007	37,203	(426,010)
2008	37,813	505,594
2009	30,257	18,422

During 2009 the Company has invested 2.44 million LVL in buildings, equipment and machinery in order to reduce cost of each production unit, improve the efficiency of manufacturing through increased productivity and higher power-intensity.

Main production types in 2009 were fibreglass textiles and nets (60%) and threads and rovings (35%).

Net sales for 2009 amount to LVL 30 million. Sales and operating result was significantly influenced by the following main factors:

- decrease in demand and prices of fibreglass in the world;
- lower production output due to renovation of fibreglass furnace. The renovation has been completed and production gradually restarted in January 2010.

During 2009 the Company sold part of the precious metal not required for manufacturing. Total profit from sales transactions amounted to LVL 2 935 thousand.

The share price of AS Valmieras Stikla Skiedra listed in Riga Stock Exchange has increased by LVL 0.14 or 48.3%, i.e., from LVL 0.29 per share as of 31.12.2008 to LVL 0.43 per share as of 31.12.2009.

Improvement in liquidity is reflected in current assets to current liabilities (total liquidity) ratio:

2007	2.61
2008	2.20
2009	2.74

The financial independence of the Company has also slightly improved, as the liability to equity ratio has decreased:

2007	1.17
2008	1.27
2009	1.07

The board has developed budget and investment plan for 2010. Planned sales for 2010 amount to LVL 36.7 million, net profit LVL 976.4 thousand, total investments LVL 600 thousand.

As of 31 December 2009 the number of employees was 738.

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 2009.

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Andris Oskars Brutāns  
Chairman of the Board

30 March 2010

## **AS VALMIERAS STIKLA SKIEDRA**

### **STATEMENT OF MANAGEMENT RESPONSIBILITIES**

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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 2009 and the results of its operations and cash flows for the year ended 31 December 2009. 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 30. 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

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Andris Oskars Brutāns  
Chairman of the Board

30 March 2010

## 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 30) of AS "Valmieras stikla skiedra", which comprise the balance sheet as of 31 December 2009 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 2009, 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 2009, 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 2009.

Deloitte Audits Latvia SIA  
License No. 43

  
Hendrik Kramer  
Authorized Representative

Rīga, Latvia  
30 March 2010

  
Inguna Staša  
Sworn auditor  
Certificate no. 145

AS VALMIERAS STIKLA SKIEDRA

BALANCE SHEET  
AS OF 31 DECEMBER 2009

	Notes	31.12.2009		31.12.2008	
		LVL	EUR	LVL	EUR
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Intangible assets</b>					
Patents and licenses		21,449	30,519	33,628	47,848
Development of intangible assets		17,477	24,868	17,477	24,868
<b>Total intangible assets</b>	4	<b>38,926</b>	<b>55,387</b>	<b>51,105</b>	<b>72,716</b>
<b>Tangible fixed assets</b>					
Land and buildings	5	9,696,296	13,796,587	10,554,116	15,017,154
Equipment and machinery	5	20,497,092	29,164,734	23,945,521	34,071,407
Other fixed assets	5	287,357	408,872	404,102	574,985
Construction in progress	5	6,910,297	9,832,467	5,149,855	7,327,584
Advance payments for fixed assets		3,153	4,485	501,038	712,913
<b>Total tangible fixed assets</b>		<b>37,394,195</b>	<b>53,207,145</b>	<b>40,554,632</b>	<b>57,704,043</b>
<b>Total non-current assets</b>		<b>37,433,121</b>	<b>53,262,532</b>	<b>40,605,737</b>	<b>57,776,759</b>
<b>Current assets</b>					
<b>Inventory</b>					
Raw materials	6	5,913,663	8,414,384	7,725,633	10,992,585
Work in progress		1,947,958	2,771,695	2,732,100	3,887,428
Finished goods	7	5,563,838	7,916,628	7,175,166	10,209,341
Advance payments for inventories		29,436	41,884	16,559	23,561
<b>Total inventory</b>		<b>13,454,895</b>	<b>19,144,591</b>	<b>17,649,458</b>	<b>25,112,915</b>
<b>Accounts receivable</b>					
Trade receivables	8	6,842,813	9,736,446	5,620,654	7,997,470
Other receivables	9	490,322	697,665	358,356	509,895
Deferred expenses	10	242,559	345,130	156,959	223,333
<b>Total accounts receivable</b>		<b>7,575,694</b>	<b>10,779,241</b>	<b>6,135,969</b>	<b>8,730,698</b>
<b>Cash and cash equivalents</b>	11	<b>526,156</b>	<b>748,653</b>	<b>396,909</b>	<b>564,751</b>
<b>Total current assets</b>		<b>21,556,745</b>	<b>30,672,485</b>	<b>24,182,336</b>	<b>34,408,364</b>
<b>TOTAL ASSETS</b>		<b>58,989,866</b>	<b>83,935,017</b>	<b>64,788,073</b>	<b>92,185,123</b>

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 30 March 2010 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 2009

	Notes	31.12.2009		31.12.2008	
		LVL	EUR	LVL	EUR
<b>LIABILITIES &amp; EQUITY</b>					
<b>Equity</b>					
Share capital	12	23,903,205	34,011,197	23,903,205	34,011,197
Retained earnings:					
a) retained earnings		4,602,725	6,549,088	4,097,131	5,829,693
b) current year profit		18,422	26,212	505,594	719,395
<b>Total equity</b>		<b>28,524,352</b>	<b>40,586,497</b>	<b>28,505,930</b>	<b>40,560,285</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Due to credit institutions	13	22,590,396	32,143,238	25,108,818	35,726,629
Deferred tax	27	-	-	160,361	228,173
<b>Total non-current liabilities</b>		<b>22,590,396</b>	<b>32,143,238</b>	<b>25,269,179</b>	<b>35,954,802</b>
<b>Current liabilities</b>					
Due to credit institutions	13	5,191,936	7,387,459	6,568,135	9,345,614
Finance lease	14	16,107	22,918	4,141	5,892
Advance payments from customers		5,919	8,422	293,825	418,075
Trade payables	15	2,097,483	2,984,449	3,363,581	4,785,945
Taxes and social security payments	16	324,785	462,127	272,199	387,304
Other accounts payable	17	180,701	257,114	381,421	542,713
Accrued liabilities	18	54,787	77,955	123,862	176,240
Deferred income		3,400	4,838	5,800	8,253
<b>Total current liabilities</b>		<b>7,875,118</b>	<b>11,205,282</b>	<b>11,012,964</b>	<b>15,670,036</b>
<b>Total liabilities</b>		<b>30,465,514</b>	<b>43,348,520</b>	<b>36,282,143</b>	<b>51,624,838</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>58,989,866</b>	<b>83,935,017</b>	<b>64,788,073</b>	<b>92,185,123</b>

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

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Chairman of the Council



**AS VALMIERAS STIKLA SKIEDRA**

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009		2008	
		LVL	EUR	LVL	EUR
Revenues	19	30,257,246	43,052,182	37,813,391	53,803,608
Changes in inventories		(2,403,429)	(3,419,771)	3,285,182	4,674,393
Work performed by the entity and capitalized		45,239	64,369	58,551	83,311
Other operating income	20	4,961,799	7,060,004	360,857	513,453
Raw materials and consumables	21	(13,835,116)	(19,685,597)	(20,371,498)	(28,986,030)
Personnel expenses	22	(5,983,146)	(8,513,250)	(7,210,109)	(10,259,061)
Depreciation and amortization	23	(5,077,652)	(7,224,848)	(5,980,314)	(8,509,220)
Other operating expenses	24	(6,710,711)	(9,548,481)	(6,551,741)	(9,322,288)
<b>Profit from operations</b>		<b>1,254,230</b>	<b>1,784,608</b>	<b>1,404,319</b>	<b>1,998,166</b>
Interest and similar income	25	28,504	40,558	73,959	105,234
Interest and similar expenses	26	(1,424,673)	(2,027,127)	(1,428,265)	(2,032,238)
<b>(Loss) / profit before taxes</b>		<b>(141,939)</b>	<b>(201,961)</b>	<b>50,013</b>	<b>71,162</b>
Corporate income tax credit	27	160,361	228,173	455,581	648,233
<b>Net profit</b>		<b>18,422</b>	<b>26,212</b>	<b>505,594</b>	<b>719,395</b>
<b>Earnings per share</b>	28	<b>0.0008</b>	<b>0.0011</b>	<b>0.0212</b>	<b>0.0301</b>

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Chairman of the Board

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Jürgen Preiss-Daimler  
Chairman of the Council

**AS VALMIERAS STIKLA SKIEDRA**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share capital		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
<b>As of 31 December 2007 (previously reported)</b>	<b>23,903,205</b>	<b>34,011,197</b>	<b>4,438,167</b>	<b>6,314,944</b>	<b>28,341,372</b>	<b>40,326,141</b>
Change in accounting policy (see Note 3)	-	-	(341,036)	(485,251)	(341,036)	(485,251)
<b>As of 31 December 2007 (restated)</b>	<b>23,903,205</b>	<b>34,011,197</b>	<b>4,097,131</b>	<b>5,829,693</b>	<b>28,000,336</b>	<b>39,840,890</b>
Profit for 2008	-	-	505,594	719,395	505,594	719,395
<b>As of 31 December 2008</b>	<b>23,903,205</b>	<b>34,011,197</b>	<b>4,602,725</b>	<b>6,549,088</b>	<b>28,505,930</b>	<b>40,560,285</b>
Current year profit	-	-	18,422	26,212	18,422	26,212
<b>As of 31 December 2009</b>	<b>23,903,205</b>	<b>34,011,197</b>	<b>4,621,147</b>	<b>6,575,300</b>	<b>28,524,352</b>	<b>40,586,497</b>

*The accompanying notes on pages 12 to 30 are an integral part of these financial statements.*

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Andris Oskars Brutāns  
Chairman of the Board

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Jürgen Preiss-Daimler  
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009		2008	
		LVL	EUR	LVL	EUR
<b>OPERATING ACTIVITIES</b>					
(Loss) / profit before tax		(141,939)	(201,961)	50,013	71,162
Adjustments:					
Depreciation and amortisation	23	5,077,652	7,224,848	5,980,314	8,509,220
Impairment of fixed assets		30,848	43,893	-	-
Loss / (profit) from sales of fixed assets	24	12,187	17,341	(5,671)	(8,069)
Interest expenses	26	1,420,912	2,021,775	1,426,921	2,030,326
Interest income	25	(1,815)	(2,583)	(1,120)	(1,594)
<b>Changes in operating assets and liabilities:</b>					
Inventory		4,193,132	5,966,289	(3,531,559)	(5,024,956)
Accounts receivable and other assets		(1,464,570)	(2,083,895)	(665,052)	(946,283)
Accounts payable and other liabilities		(1,796,600)	(2,556,331)	853,152	1,213,926
Interest received		1,815	2,582	1,120	1,594
<b>Cash provided by operating activities</b>		<b>7,331,622</b>	<b>10,431,958</b>	<b>4,108,118</b>	<b>5,845,326</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of fixed assets and intangible assets, advance payments		(1,796,857)	(2,556,697)	(5,601,009)	(7,969,518)
Proceeds from sale of fixed assets		4,872	6,932	5,940	8,452
<b>Net cash used in investing activities</b>		<b>(1,791,985)</b>	<b>(2,549,765)</b>	<b>(5,595,069)</b>	<b>(7,961,066)</b>
<b>FINANCING ACTIVITIES</b>					
Received loans from credit institution		284,636	405,001	3,229,384	4,594,999
Paid loans to credit institutions		(2,803,058)	(3,988,392)	(617,097)	(878,050)
Increase in credit line		(1,376,199)	(1,958,155)	191,826	272,944
Finance lease payments		(5,286)	(7,521)	(19,246)	(27,385)
Interest expenses paid		(1,510,483)	(2,149,224)	(1,497,935)	(2,131,369)
<b>Net cash (used in) / provided by financing activities</b>		<b>(5,410,390)</b>	<b>(7,698,291)</b>	<b>1,286,932</b>	<b>1,831,139</b>
Net increase / (decrease) in cash and cash equivalents		129,247	183,902	(200,019)	(284,601)
Cash and cash equivalents at the beginning of the year		396,909	564,751	596,928	849,352
<b>Cash and cash equivalents at the end of the year</b>	11	<b>526,156</b>	<b>748,653</b>	<b>396,909</b>	<b>564,751</b>

The accompanying notes on pages 12 to 30 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 30 March 2010 by:

\_\_\_\_\_  
Andris Oskars Brutāns  
Chairman of the Board

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Jürgen Preiss-Daimler  
Chairman of the Council

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2009**

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**1. GENERAL INFORMATION**

The Company is registered as a joint stock company in the Commercial Register in the Republic of Latvia. 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, which are applicable in the reporting year.

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

The functional currency of the Company is Latvian lat. These financial statements are also presented in euro.

**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.

As a result of retrospective application of the accounting policy retained earnings presented in financial statements for 2007 were decreased by LVL 341,036 (EUR 485,251).

*Foreign currencies*

Transactions denominated in foreign currencies are translated into lats 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 exchange rates to lat used for the main foreign currencies as of 31 December are as follows:

	<b>2009</b>	<b>2008</b>
EUR	0.702804	0.702804
GBP	0.783	0.728
RUB	0.0164	0.0171
SEK	0.0678	0.0635
USD	0.489	0.495

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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***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 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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***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.

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 cost, less any impairment.

*Impairment of financial assets*

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

**NOTES TO THE FINANCIAL STATEMENTS  
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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.

***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 judgments***

According to Latvian statutory requirements, 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 reporting period. Actual results could differ from those estimates.

The following are the critical judgments 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. In 2009 the Company has recognized impairment loss in amount of LVL 30 848. The management does not believe that any

**NOTES TO THE FINANCIAL STATEMENTS  
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other material adjustments are needed due to impairment of the Company's assets considering the planned 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 2,442,537 (2008: LVL 2,472,621). 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.

**Emission rights**

The Company is a participant of the EU CO<sub>2</sub> 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.

**4. INTANGIBLE ASSETS**

	Patents and licences		Other intangible assets		Development of intangible assets		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>HISTORICAL COST</b>								
<b>31.12.2007</b>	<b>1,316,047</b>	<b>1,872,567</b>	<b>1,359,709</b>	<b>1,934,692</b>	-	-	<b>2,675,756</b>	<b>3,807,259</b>
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)
<b>31.12.2008</b>	<b>140,812</b>	<b>200,358</b>	-	-	<b>17,477</b>	<b>24,868</b>	<b>158,289</b>	<b>225,226</b>
Additions	6,441	9,165	-	-	-	-	6,441	9,165
<b>31.12.2009</b>	<b>147,253</b>	<b>209,523</b>	-	-	<b>17,477</b>	<b>24,868</b>	<b>164,730</b>	<b>234,391</b>
<b>ACCUMULATED AMORTISATION</b>								
<b>31.12.2007</b>	<b>1,262,161</b>	<b>1,795,894</b>	<b>1,359,709</b>	<b>1,934,692</b>	-	-	<b>2,621,870</b>	<b>3,730,586</b>
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)
<b>31.12.2008</b>	<b>107,184</b>	<b>152,510</b>	-	-	-	-	<b>107,184</b>	<b>152,510</b>
Charge for the year	18,620	26,494	-	-	-	-	18,620	26,494
<b>31.12.2009</b>	<b>125,804</b>	<b>179,004</b>	-	-	-	-	<b>125,804</b>	<b>179,004</b>
<b>NET BOOK VALUE</b>								
<b>31.12.2008</b>	<b>33,628</b>	<b>47,848</b>	-	-	<b>17,477</b>	<b>24,868</b>	<b>51,105</b>	<b>72,716</b>
<b>31.12.2009</b>	<b>21,449</b>	<b>30,519</b>	-	-	<b>17,477</b>	<b>24,868</b>	<b>38,926</b>	<b>55,387</b>



AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS  
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5. TANGIBLE FIXED ASSETS

	Land LVL	Buildings LVL	Equipment and machinery LVL	Other fixed assets LVL	Construction in progress LVL	Total LVL
HISTORICAL COST						
<b>As of 31 December 2007</b>	<b>242,936</b>	<b>14,693,053</b>	<b>42,995,307</b>	<b>1,989,423</b>	<b>348,138</b>	<b>60,268,857</b>
Additions	-	-	-	-	5,226,714	5,226,714
Disposals	-	(996)	(64,240)	(54,510)	-	(119,746)
Transfers	-	17,441	297,310	110,246	(424,997)	-
<b>As of 31 December 2008</b>	<b>242,936</b>	<b>14,709,498</b>	<b>43,228,377</b>	<b>2,045,159</b>	<b>5,149,855</b>	<b>65,375,825</b>
Additions	-	-	-	-	2,444,387	2,444,387
Disposals	-	(10,581)	(90,495)	(35,572)	-	(136,648)
Transfers	-	49,409	579,053	55,483	(683,945)	-
<b>As of 31 December 2009</b>	<b>242,936</b>	<b>14,748,326</b>	<b>43,716,935</b>	<b>2,065,070</b>	<b>6,910,297</b>	<b>67,683,564</b>
ACCUMULATED DEPRECIATION						
<b>As of 31 December 2007</b>	-	<b>3,486,404</b>	<b>14,519,676</b>	<b>1,478,685</b>	-	<b>19,484,765</b>
Charge for the year	-	912,665	4,827,420	216,858	-	5,956,943
Disposals	-	(751)	(64,240)	(54,486)	-	(119,477)
<b>As of 31 December 2008</b>	-	<b>4,398,318</b>	<b>19,282,856</b>	<b>1,641,057</b>	-	<b>25,322,231</b>
Charge for the year	-	905,191	3,981,613	172,228	-	5,059,032
Disposals	-	(8,543)	(75,474)	(35,572)	-	(119,589)
Impairment loss	-	-	30,848	-	-	30,848
<b>As of 31 December 2009</b>	-	<b>5,294,966</b>	<b>23,219,843</b>	<b>1,777,713</b>	-	<b>30,292,522</b>
NET BOOK VALUE						
<b>As of 31 December 2008</b>	<b>242,936</b>	<b>10,311,180</b>	<b>23,945,521</b>	<b>404,102</b>	<b>5,149,855</b>	<b>40,053,594</b>
<b>As of 31 December 2009</b>	<b>242,936</b>	<b>9,453,360</b>	<b>20,497,092</b>	<b>287,357</b>	<b>6,910,297</b>	<b>37,391,042</b>

	Land EUR	Buildings EUR	Equipment and machinery EUR	Other fixed assets EUR	Construction in progress EUR	Total EUR
HISTORICAL COST						
<b>As of 31 December 2007</b>	<b>345,667</b>	<b>20,906,331</b>	<b>61,176,811</b>	<b>2,830,695</b>	<b>495,356</b>	<b>85,754,860</b>
Additions	-	-	-	-	7,436,944	7,436,944
Disposals	-	(1,418)	(91,405)	(77,563)	-	(170,386)
Transfers	-	24,816	423,034	156,866	(604,716)	-
<b>As of 31 December 2008</b>	<b>345,667</b>	<b>20,929,729</b>	<b>61,508,440</b>	<b>2,909,998</b>	<b>7,327,584</b>	<b>93,021,418</b>
Additions	-	-	-	-	3,478,049	3,478,049
Disposals	-	(15,055)	(128,762)	(50,614)	-	(194,431)
Transfers	-	70,303	823,918	78,945	(973,166)	-
<b>As of 31 December 2009</b>	<b>345,667</b>	<b>20,984,977</b>	<b>62,203,596</b>	<b>2,938,329</b>	<b>9,832,467</b>	<b>96,305,036</b>
ACCUMULATED DEPRECIATION						
<b>As of 31 December 2007</b>	-	<b>4,960,706</b>	<b>20,659,638</b>	<b>2,103,980</b>	-	<b>27,724,324</b>
Charge for the year	-	1,298,605	6,868,800	308,561	-	8,475,966
Disposals	-	(1,069)	(91,405)	(77,528)	-	(170,002)
<b>As of 31 December 2008</b>	-	<b>6,258,242</b>	<b>27,437,033</b>	<b>2,335,013</b>	-	<b>36,030,288</b>
Charge for the year	-	1,287,971	5,665,325	245,058	-	7,198,354
Disposals	-	(12,156)	(107,389)	(50,614)	-	(170,159)
Impairment loss	-	-	43,893	-	-	43,893
<b>As of 31 December 2009</b>	-	<b>7,534,057</b>	<b>33,038,862</b>	<b>2,529,457</b>	-	<b>43,102,376</b>
NET BOOK VALUE						
<b>As of 31 December 2008</b>	<b>345,667</b>	<b>14,671,487</b>	<b>34,071,407</b>	<b>574,985</b>	<b>7,327,584</b>	<b>56,991,130</b>
<b>As of 31 December 2009</b>	<b>345,667</b>	<b>13,450,920</b>	<b>29,164,734</b>	<b>408,872</b>	<b>9,832,467</b>	<b>53,202,660</b>

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The registered cadastral value of property owned by the Company as at 31 December 2009 was LVL 5,316,236 (EUR 7,564,322) (2008: LVL 6,935,173 (EUR 9,867,862)).

The registered cadastral value of land owned by the Company as at 31 December 2009 was LVL 1,069,883 (EUR 1,522,306) (2008: LVL 926,180 (EUR 1,317,835)).

The Company has pledged all non-current assets (fixed assets and intangible assets) with a total carrying amount as of 31 December 2009 of LVL 37,429,968 (EUR 53,258,046) (2008: LVL 40,104,699 (EUR 57,063,846)), as a security for liabilities, see Note 13.

#### 6. RAW MATERIALS

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Precious metal glass melting plates*	2,805,728	3,992,191	3,647,070	5,189,313
Raw materials	3,157,935	4,493,337	4,128,563	5,874,416
Allowance for slow moving inventories	(50,000)	(71,144)	(50,000)	(71,144)
<b>Total</b>	<b>5,913,663</b>	<b>8,414,384</b>	<b>7,725,633</b>	<b>10,992,585</b>

\*The Company uses precious metal glass melting plates in the manufacturing process. The average technical depletion of these plates in 2009 was 2.53% (2008 –3.01%). 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 2009 the carrying amount was LVL 2,805,728 (EUR 3,992,191) (2008: LVL 3,647,070 (EUR 5,189,313)). According to the metal prices quoted in London stock exchange as at 31 December 2009 the market price of the precious metals was LVL 7,955,122 (EUR 11,319,119) (2008: LVL 7,684,835 (EUR 10,934,535)).

During 2009 the Company sold part of its precious metals. Total profit from sales amounts to LVL 2,935,065 (EUR 4,176,221).

#### 7. FINISHED GOODS

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Finished goods	5,648,299	8,036,805	7,274,003	10,349,974
Allowance for excess of net realizable value over cost	(84,461)	(120,177)	(98,837)	(140,633)
<b>Total</b>	<b>5,563,838</b>	<b>7,916,628</b>	<b>7,175,166</b>	<b>10,209,341</b>

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8. TRADE RECEIVABLES

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
P-D Glasseiden Oschatz GmbH (related party)	2,002,714	2,849,605	2,578,964	3,669,535
VITRULAN Technical Textiles GmbH (related party)	32,690	46,514	79,492	113,107
Vitrulan Corporation (related party)	6,144	8,742	-	-
Other trade receivables	4,854,916	6,907,923	2,972,543	4,229,548
Allowances for doubtful receivables	(53,651)	(76,338)	(10,345)	(14,720)
<b>Total</b>	<b>6,842,813</b>	<b>9,736,446</b>	<b>5,620,654</b>	<b>7,997,470</b>

9. OTHER RECEIVABLES

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
VAT overpayment (see Note 16)	337,265	479,885	239,695	341,055
VAT on unpaid invoices	74,468	105,958	83,570	118,909
Corporate income tax (see Note 16)	-	-	16,602	23,623
Other receivables	102,461	145,789	42,496	60,466
Allowance for doubtful receivables	(23,872)	(33,967)	(24,007)	(34,158)
<b>Total</b>	<b>490,322</b>	<b>697,665</b>	<b>358,356</b>	<b>509,895</b>

Change in allowance for doubtful receivables:

	LVL	EUR
<b>Allowance as of 31 December 2007</b>	<b>31,676</b>	<b>45,071</b>
Decrease due to collection (see Note 20)	(558)	(795)
Charged to statement of profit and loss (see Note 24)	3,234	4,602
<b>Allowance as of 31 December 2008</b>	<b>34,352</b>	<b>48,878</b>
Decrease due to collection (see Note 20)	(4,614)	(6,565)
Charged to statement of profit and loss (see Note 24)	47,785	67,992
<b>Allowance as of 31 December 2009</b>	<b>77,523</b>	<b>110,305</b>

10. DEFERRED EXPENSES

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Insurance expenses	68,423	97,357	73,653	104,799
Precious metal plates reprocessing expenses	130,656	185,907	48,291	68,712
Other deferred expenses	43,480	61,866	35,015	49,822
<b>Total</b>	<b>242,559</b>	<b>345,130</b>	<b>156,959</b>	<b>223,333</b>

11. CASH AND CASH EQUIVALENTS

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Cash in bank	526,156	748,653	393,833	560,374
Cash on hand	-	-	3,076	4,377
<b>Total</b>	<b>526,156</b>	<b>748,653</b>	<b>396,909</b>	<b>564,751</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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#### 12. SHARE CAPITAL

The Company's registered share capital as of 31 December 2009 and 2008 was LVL 23,903,205 (EUR 34,011,197).

The Company's paid-in share capital as of 31 December 2009 and 2008 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 (EUR 1.423).

As of 31 December 2009 and 2008 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2009	2008
P-D Glasseiden Oschatz GmbH	26.0%	38.2%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries –Technologies GmbH	23.9%	11.7%
Braune Beatrix	2.6%	2.6%
VAS VSAA	2.4%	2.4%
Skandinaviska Enskilda Banken Ab	2.0%	2.0%
Other	6.9%	6.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### 13. DUE TO CREDIT INSTITUTIONS

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Non-current part:				
Loan due within 2 to 5 years	11,889,552	16,917,308	11,889,552	16,917,308
Loan due after more than 5 years	10,700,844	15,225,930	13,219,266	18,809,321
<b>Total non-current part</b>	<b>22,590,396</b>	<b>32,143,238</b>	<b>25,108,818</b>	<b>35,726,629</b>
Current part:				
Credit line	2,387,548	3,397,175	3,763,747	5,355,329
Loan	2,804,388	3,990,284	2,804,388	3,990,285
<b>Total current part</b>	<b>5,191,936</b>	<b>7,387,459</b>	<b>6,568,135</b>	<b>9,345,614</b>
<b>Total</b>	<b>27,782,332</b>	<b>39,530,697</b>	<b>31,676,953</b>	<b>45,072,243</b>

On 2 April 2001 the Company signed a credit line agreement with AS Swedbank to increase working capital. As of 31 December 2009 and 2008 the credit line limit was EUR 6,000,000 (LVL 4,216,824). The interest rate of the credit line is 3 month EURIBOR + 4.00% for used amount and 1.0% for unused amount (2008: 3.29% for used amount and 1% for unused amount). The maturity date of the credit line is 16 July 2010. As a security for the credit line, the Company has pledged inventories with the carrying amount of LVL 13,454,895 (EUR 19,144,591) (2008: LVL 17,649,458 (EUR 25,112,915)).

On 6 June 2005 the Company signed a loan agreement with AS Swedbank 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 1.39% (2008: 0.9%) per annum, variable – 3 month EURIBOR.

On 16 April 2008 the Company signed a loan agreement with AS Swedbank 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 1.34% (2008: 0.85%) per annum, variable – 3 month EURIBOR.

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As of 31 December 2009 the amount of available and not yet withdrawn loan and credit line was EUR 2,602,825 (LVL 1,829,275) (2008: EUR 1,049,670 (LVL 737,712)).

According to mortgage agreement No.05-04995-IN/3, the loans are secured by the assets of the Company with the carrying amount as of 31 December 2009 of LVL 58,989,866 (EUR 83,935,017) (2008: LVL 64,788,073 (EUR 92,185,123)).

**14. FINANCE LEASE**

On 31 December 2009 and 2008 the liabilities resulting from finance lease agreements were as follows:

	31.12.2009		31.12.2009		31.12.2008		31.12.2008	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>		<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
Amounts payable under finance lease:								
Current	16,422	23,366	16,107	22,918	4,618	6,571	4,141	5,892
<b>Total amounts payable under finance lease</b>	<b>16,422</b>	<b>23,366</b>	<b>16,107</b>	<b>22,918</b>	<b>4,618</b>	<b>6,571</b>	<b>4,141</b>	<b>5,892</b>
Future financing charges	(315)	(448)	-	-	(477)	(679)	-	-
<b>Present value of lease obligations</b>	<b>16,107</b>	<b>22,918</b>	<b>16,107</b>	<b>22,918</b>	<b>4,141</b>	<b>5,892</b>	<b>4,141</b>	<b>5,892</b>

The currency of the lease liability is EUR. The fixed interest rate of the lease liability is 2%-3.5% per annum, variable – 3 month EURIBOR.

**15. TRADE PAYABLES**

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
For services received	1,327,052	1,888,225	2,112,076	3,005,213
For goods received	640,616	911,514	1,180,111	1,679,147
For fixed assets	129,815	184,710	71,394	101,585
<b>Total</b>	<b>2,097,483</b>	<b>2,984,449</b>	<b>3,363,581</b>	<b>4,785,945</b>

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

16. TAXES AND SOCIAL SECURITY PAYMENTS

LVL	31.12.2008		Calculated	Transfers	Returned from the state	Paid	31.12.2009	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	3,928	12,050	-	-	13,617	-	2,361
Real estate tax	-	-	44,845	-	-	44,845	-	-
Social security payments	-	155,114	1,531,639	1,375,421	-	73,487	-	237,845
Personal income tax	-	112,933	852,185	-	-	880,733	-	84,385
Enterprise risk duty	-	224	2,450	-	-	2,480	-	194
Value added tax	239,695	-	(1,897,402)	(1,375,421)	424,411	-	337,265	-
Corporate income tax	16,602	-	-	-	16,602	-	-	-
<b>Total</b>	<b>256,297</b>	<b>272,199</b>	<b>545,767</b>	<b>-</b>	<b>441,013</b>	<b>1,015,162</b>	<b>337,265</b>	<b>324,785</b>

EUR	31.12.2008		Calculated	Transfers	Returned from the state	Paid	31.12.2009	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	5,589	17,145	-	-	19,375	-	3,359
Real estate tax	-	-	63,809	-	-	63,809	-	-
Social security payments	-	220,707	2,179,326	1,957,048	-	104,562	-	338,423
Personal income tax	-	160,689	1,212,550	-	-	1,253,170	-	120,069
Enterprise risk duty	-	319	3,486	-	-	3,529	-	276
Value added tax	341,055	-	(2,699,760)	(1,957,048)	603,882	-	479,885	-
Corporate income tax	23,623	-	-	-	23,623	-	-	-
<b>Total</b>	<b>364,678</b>	<b>387,304</b>	<b>776,556</b>	<b>-</b>	<b>627,505</b>	<b>1,444,445</b>	<b>479,885</b>	<b>462,127</b>

17. OTHER ACCOUNTS PAYABLE

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Salary	174,895	248,853	373,697	531,723
Other	5,806	8,261	7,724	10,990
<b>Total</b>	<b>180,701</b>	<b>257,114</b>	<b>381,421</b>	<b>542,713</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

18. ACCRUED LIABILITIES

	31.12.2009		31.12.2008	
	LVL	EUR	LVL	EUR
Accrual for reclamation	-	-	70,000	99,601
Accrual for vacations	54,787	77,955	53,862	76,639
<b>Total</b>	<b>54,787</b>	<b>77,955</b>	<b>123,862</b>	<b>176,240</b>

19. REVENUES

Net sales by geographical area:

	2009		2008	
	LVL	EUR	LVL	EUR
Export sales:				
European Union	22,406,778	31,881,972	25,131,993	35,759,604
North America	3,267,767	4,649,614	5,501,202	7,827,505
CIS	1,373,717	1,954,623	2,379,732	3,386,054
Local sales	1,489,305	2,119,090	2,154,474	3,065,540
Other countries	1,719,679	2,446,883	2,645,990	3,764,905
<b>Total</b>	<b>30,257,246</b>	<b>43,052,182</b>	<b>37,813,391</b>	<b>53,803,608</b>

Net sales by production type:

	2009		2008	
	LVL	EUR	LVL	EUR
Fibreglass textiles	18,186,048	25,876,415	21,753,752	30,952,800
Fibreglass threads	10,457,662	14,879,913	13,910,338	19,792,628
Other	1,613,536	2,295,854	2,149,301	3,058,180
<b>Total</b>	<b>30,257,246</b>	<b>43,052,182</b>	<b>37,813,391</b>	<b>53,803,608</b>

20. OTHER OPERATING INCOME

	2009		2008	
	LVL	EUR	LVL	EUR
Sales of precious metals	4,437,390	6,313,837	-	-
Sales of CO <sub>2</sub> emission quotas	410,037	583,430	-	-
Sale of raw materials	69,504	98,895	273,505	389,162
Insurance	-	-	20,735	29,503
Income from rent of fixed assets	12,305	17,509	17,704	25,190
Profit from sale of fixed assets	-	-	5,671	8,069
Decrease in allowance for doubtful receivables (see Note 9)	4,614	6,565	558	795
Other	27,949	39,768	42,685	60,734
<b>Total</b>	<b>4,961,799</b>	<b>7,060,004</b>	<b>360,857</b>	<b>513,453</b>

AS VALMIERAS STIKLA SKIEDRA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

21. RAW MATERIALS AND CONSUMABLES

	2009		2008	
	LVL	EUR	LVL	EUR
Raw materials	7,419,563	10,557,087	13,756,825	19,574,199
Natural gas	2,076,966	2,955,256	2,895,298	4,119,638
Electricity	2,044,955	2,909,709	2,545,231	3,621,537
Ore processing costs	179,212	254,995	326,295	464,276
Depletion of ore	89,100	126,778	115,520	164,370
Other	2,025,320	2,881,772	732,329	1,042,010
<b>Total</b>	<b>13,835,116</b>	<b>19,685,597</b>	<b>20,371,498</b>	<b>28,986,030</b>

22. PERSONNEL EXPENSES

	2009		2008	
	LVL	EUR	LVL	EUR
Salaries	4,183,560	5,952,670	5,123,455	7,290,020
Social security payments	1,102,256	1,568,369	1,302,537	1,853,343
Illness and vacation expenses	520,193	740,168	551,567	784,809
Insurance of employees	46,591	66,293	59,932	85,276
Other	130,546	185,750	172,618	245,613
<b>Total</b>	<b>5,983,146</b>	<b>8,513,250</b>	<b>7,210,109</b>	<b>10,259,061</b>

In 2009, the average number of employees was 798 (2008: 908).

23. DEPRECIATION AND AMORTISATION

	2009		2008	
	LVL	EUR	LVL	EUR
Fixed asset depreciation (see Note 5)	5,059,032	7,198,354	5,956,943	8,475,966
Intangible asset amortization (see Note 4)	18,620	26,494	23,371	33,254
<b>Total</b>	<b>5,077,652</b>	<b>7,224,848</b>	<b>5,980,314</b>	<b>8,509,220</b>



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

24. OTHER OPERATING EXPENSES

	2009		2008	
	LVL	EUR	LVL	EUR
Transportation	1,901,661	2,705,820	2,362,464	3,361,484
Cost of sold precious metals	1,502,325	2,137,616	-	-
Sales commission	1,117,257	1,589,713	1,569,025	2,232,521
Service costs	472,351	672,095	579,080	823,957
Repair expenses	386,676	550,190	476,780	678,397
Spare parts	368,138	523,813	548,295	780,154
Business trips	163,294	232,346	162,147	230,714
Insurance	143,475	204,147	186,234	264,987
Leasing	90,021	128,088	100,776	143,391
Communication	58,324	82,988	63,466	90,304
Research	57,445	81,737	85,297	121,367
Allowance for doubtful receivables (Note 9)	47,785	67,992	3,234	4,602
Property tax	45,243	64,375	51,096	72,703
Selling expenses	36,330	51,693	20,940	29,795
Labour safety and specific clothing	26,024	37,029	57,524	81,849
Office expenses	23,749	33,792	32,975	46,919
Audit fees	22,265	31,680	24,218	34,459
Loss on disposal and sale of fixed assets	12,187	17,341	-	-
Other	236,161	336,026	228,190	324,685
<b>Total</b>	<b>6,710,711</b>	<b>9,548,481</b>	<b>6,551,741</b>	<b>9,322,288</b>

25. INTEREST AND SIMILAR INCOME

	2009		2008	
	LVL	EUR	LVL	EUR
Net gain on foreign exchange rate fluctuations	26,689	37,975	72,839	103,640
Interest income	1,815	2,583	1,120	1,594
<b>Total</b>	<b>28,504</b>	<b>40,558</b>	<b>73,959</b>	<b>105,234</b>

26. INTEREST AND SIMILAR EXPENSES

	2009		2008	
	LVL	EUR	LVL	EUR
Interest expense	1,504,319	2,140,453	1,497,935	2,131,369
Less capitalized interest	(83,407)	(118,677)	(71,014)	(101,043)
Penalties paid	3,761	5,351	1,344	1,912
<b>Total</b>	<b>1,424,673</b>	<b>2,027,127</b>	<b>1,428,265</b>	<b>2,032,238</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

	2009		2008	
	LVL	EUR	LVL	EUR
Deferred tax credit	160,361	228,173	455,581	648,233
<b>Total</b>	<b>160,361</b>	<b>228,173</b>	<b>455,581</b>	<b>648,233</b>

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

	2009		2008	
	LVL	EUR	LVL	EUR
(Loss) / profit before tax	(141,939)	(201,961)	50,013	71,162
Expected tax charge, applying current tax rate of 15%	21,291	30,294	(7,502)	(10,674)
Tax effect of non-deductible items	(16,069)	(22,864)	(29,720)	(42,288)
Tax credit received for new technological equipment*	149,720	213,032	224,738	319,773
Not recognised deferred tax asset (tax losses)	-	-	92,634	131,806
Other	5,419	7,711	175,431	249,616
<b>Corporate income tax credit</b>	<b>160,361</b>	<b>228,173</b>	<b>455,581</b>	<b>648,233</b>

\* The tax base of new technological equipment purchased in 2009 is calculated by multiplying the acquisition cost with a coefficient of 1.5 (2008: 1.3, 2007: 1.4, 2006: 1.5). Total amount of related tax credit not used as of

31 December 2009 is LVL 224,580 (EUR 319,549) (2008: LVL 337,108 (EUR 479,661)). 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 2009, the Company tax returns for 2007 to 2009 remain open and may be subject to review.

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

Calculation of deferred tax:

	31.12.2009		31.12.2008	
	Temporary difference LVL	Tax effect 15 % LVL	Temporary difference LVL	Tax effect 15 % LVL
Temporary difference on depreciation of fixed assets (liability)	16,431,013	2,464,652	17,727,061	2,659,060
Temporary difference on accruals (asset)	(54,787)	(8,218)	(123,853)	(18,578)
Temporary difference on provisions for doubtful debts (asset)	(41,215)	(6,182)	-	-
Allowance for excess of inventories net realizable value over cost (asset)	(51,431)	(7,715)	(50,000)	(7,500)
Tax loss carry forward (asset) recognised	(16,283,580)	(2,442,537)	(16,484,138)	(2,472,621)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,069,070</b>	<b>160,361</b>

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	31.12.2009		31.12.2008	
	Temporary difference EUR	Tax effect 15 % EUR	Temporary difference EUR	Tax effect 15 % EUR
Temporary difference on depreciation of fixed assets (liability)	23,379,225	3,506,883	25,223,335	3,783,502
Temporary difference on accruals (asset)	(77,955)	(11,693)	(176,227)	(26,434)
Temporary difference on provisions for doubtful debts (asset)	(58,643)	(8,796)	-	-
Allowance for excess of inventories net realizable value over cost (asset)	(73,180)	(10,977)	(71,144)	(10,672)
Tax loss carry forward (asset) recognised	(23,169,447)	(3,475,417)	(23,454,815)	(3,518,223)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,521,149</b>	<b>228,173</b>

As at 31 December 2009 total tax losses amount to LVL 16,283,580 (EUR 23,169,447) (2008: LVL 16,484,138 (EUR 23,454,815)). These tax losses have arisen in 2006 - 2008 and can be carried forward for 8 years from the year of origination. As of 31 December 2009 tax losses can be fully used through offset with the reversal of existing taxable temporary differences.

28. EARNINGS PER SHARE

	2009		2008	
	LVL	EUR	LVL	EUR
Current year profit	18,422	26,212	505,594	719,395
Average number of shares outstanding	23,903,205	23,903,205	23,903,205	23,903,205
<b>Earnings per share</b>	<b>0.0008</b>	<b>0.0011</b>	<b>0.0212</b>	<b>0.0301</b>

29. MANAGEMENT REMUNERATION

	2009		2008	
	LVL	EUR	LVL	EUR
Members of the Council:				
Compensation (Tantiemes)	55,280	78,656	33,003	46,959
Social security payments	4,941	7,030	2,967	4,222
Members of the Board:				
Compensation	141,486	201,316	74,505	106,011
Social security payments	10,355	14,734	3,393	4,828
Other management:				
Salary	209,282	297,782	230,803	328,403
Social security payments	47,852	68,087	35,456	50,449
<b>Total</b>	<b>469,196</b>	<b>667,605</b>	<b>380,127</b>	<b>540,872</b>

In 2009 and 2008 the Company has not granted or received any loans from the members of Council, Board or management.

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NOTES TO THE FINANCIAL STATEMENTS  
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30. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31.12.2009 Accounts receivable LVL	31.12.2009 Accounts payable LVL	31.12.2008 Accounts receivable LVL	31.12.2008 Accounts payable LVL
P-D Glasseiden Oschatz GmbH	2,002,714	216,365	2,578,964	235,437
VITRULAN Textilglas GmbH	-	1,483	79,492	1,284
VITRULAN Technical Textiles GmbH	32,690	-	-	-
Vitrulan Corporation	6,144	-	-	-
P-D aitec GmbH	-	-	-	5,954
P-D Interglas Technologies S.A.	-	-	-	12,963
P-D Interglas Technologies Limited	-	1,898	-	-
P-D Management Industries – Technologies	-	-	-	773
P-D Refractories Feuerfestwerke Wetro	-	-	-	2,460
<b>Total</b>	<b>2,041,548</b>	<b>219,746</b>	<b>2,658,456</b>	<b>258,871</b>

	31.12.2009 Accounts receivable EUR	31.12.2009 Accounts payable EUR	31.12.2008 Accounts receivable EUR	31.12.2008 Accounts payable EUR
P-D Glasseiden Oschatz GmbH	2,849,605	307,860	3,669,535	334,997
VITRULAN Textilglas GmbH	-	-	-	-
VITRULAN Technical Textiles GmbH	46,514	2,110	113,107	1,827
Vitrulan Corporation	8,742	-	-	-
P-D aitec GmbH	-	-	-	8,472
P-D Interglas Technologies S.A.	-	-	-	18,445
P-D Interglas Technologies Limited	-	2,700	-	-
P-D Management Industries – Technologies	-	-	-	1,100
P-D Refractories Feuerfestwerke Wetro	-	-	-	3,500
<b>Total</b>	<b>2,904,861</b>	<b>312,670</b>	<b>3,782,642</b>	<b>368,341</b>

	2009		2008	
	LVL	EUR	LVL	EUR
Sales of goods	18,832,996	26,796,939	22,084,311	31,423,144
Acquisition of fixed assets	558,487	794,655	1,626,345	2,314,080
Purchase of goods	1,531,884	2,179,675	1,560,189	2,219,949
Sales commissions	1,117,257	1,589,713	1,569,025	2,232,521
Received services	7,105	10,110	49,379	70,260
Provided services	48,850	69,507	141,203	200,914

31. FINANCIAL RISK MANAGEMENT

Financial assets consist of loans and receivables, which are carried at amortized cost, and derivatives. Financial liabilities include loans and payables, which are carried at amortized cost.

## AS VALMIERAS STIKLA SKIEDRA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize 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 12% of total sales in 2009 resulted from contracts denominated in USD (2008:10%). The Company's currency risk in US dollars may be specified as follows:

	31.12.2009	31.12.2008
Financial assets, USD	599,562	362,531
<b>Net balance sheet position, USD</b>	<b>599,562</b>	<b>362,531</b>
<b>Net balance sheet position, LVL</b>	<b>293,186</b>	<b>179,453</b>
<b>Net balance sheet position, EUR</b>	<b>417,166</b>	<b>255,338</b>

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. 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 2009, the Company's credit risk exposure to a single customer – related company - amounted to 29.2% of the total trade receivables (31.12.2008.: 46.4%). The Company's credit risk exposure to this customer amounts to LVL 2,012,670 (EUR 2,863,771) or 3.4% to total assets (31.12.2008.: LVL 2,607,907 (EUR 3,710,717) 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 EUR 6 million credit line was available assigned by Swedbank AS according to the agreement concluded on April 2, 2001. As of 31 December 2009 the assigned credit line facility used was LVL 2,387,548 (EUR 3,397,175) (2008: LVL 3,763,747 (EUR 5,355,329)) (see Note 13). The Company's current and quick ratios as of 31 December 2009 were 2.74 and 1.00 respectively (as of 31 December 2008 – 2.20 and 0.58 respectively).

**NOTES TO THE FINANCIAL STATEMENTS  
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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 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 2009, total notional amount of interest rate swap contract is EUR 31,609,715 (LVL 22,215,434) (2008: EUR 35,121,914 (LVL 24,683,822)), the fair value amounts to a liability of EUR 2,096,712 (LVL 1,473,578) (2008: EUR 1,570,785 (LVL 1,103,954)). 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 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.

**33. 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 (EUR 1,303,370) as of 31 December 2009 (December 2008: LVL 916,014 (EUR 1,303,370)).

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

	2009		2008	
	LVL	EUR	LVL	EUR
Within 1 year	45,801	65,169	45,801	65,169
2 to 5 years	183,203	260,674	183,203	260,674
More than 5 years	503,808	716,854	549,609	782,023
<b>Total</b>	<b>732,812</b>	<b>1,042,697</b>	<b>778,613</b>	<b>1,107,866</b>

**34. EMISSION RIGHTS**

The Company has received a free of charge allowance for emission of CO<sub>2</sub>: 47,973 quotas for every year from 2008 up to 2012 (total 239,865 quotas). Actual emission in 2009 amounted to 20,870 quotas (2008: 29,919), during the year the Company has sold 41,000 quotas; remaining emission balance for the period up to 2012 is thus 148,076 quotas.

\* \* \* \* \*

## Shares

JSC “Valmieras stikla šķiedra” shares are listed on NASDAQ OMX Riga Secondary market since February 24, 1997:

ISIN	LV0000100485
Ticker	VSS1R
Nominal value	1,00 LVL
Total number of securities	23 903 205
Number of listed securities	11 494 250
Liquidity providers	None
Indexes	B20GI, B20PI, OMXBGI, OMXBPI, OMXRGI

### JSC “Valmieras stikla šķiedra” share price development for the period 01.01.09 – 31.12.09

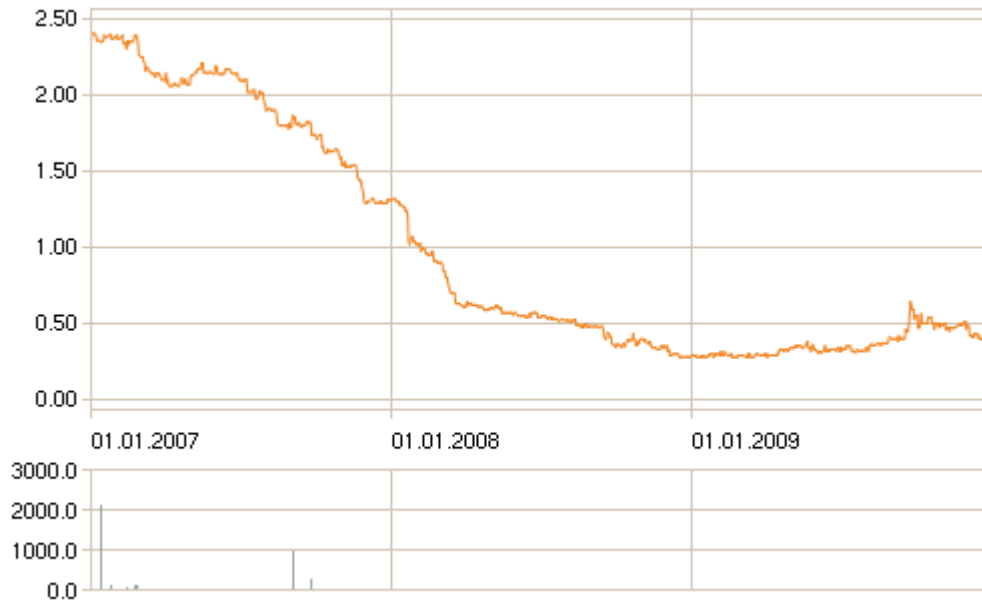


Currency: LVL

### JSC “Valmieras stikla šķiedra” share price development for the period 01.01.09 – 31.12.09

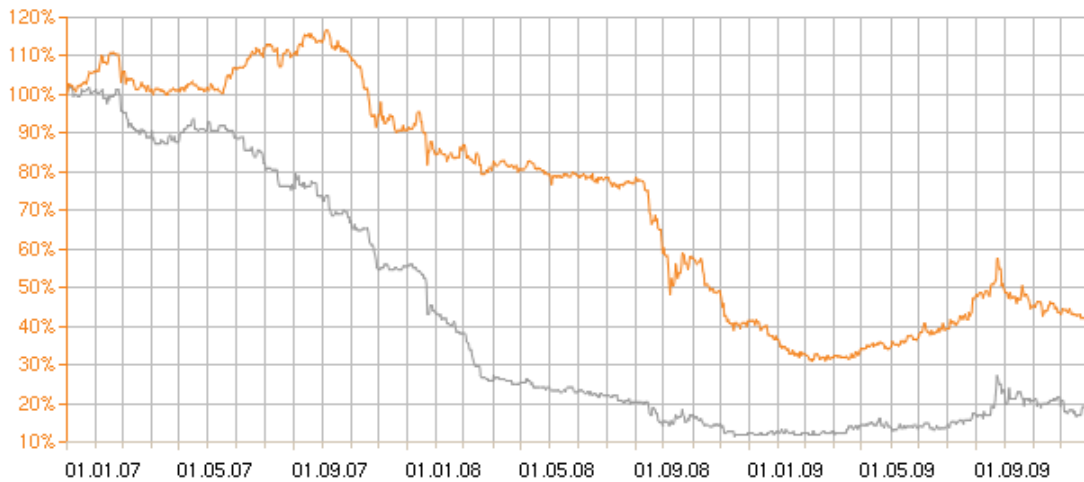
Open	0.29 LVL
Max	0.64 LVL
Min	0.27 LVL
Average	0.39 LVL
Last	0.43 LVL
Change	48.28 %
Deals	1 175
No of shares traded	763 404
Turnover	297 575.53 LVL
Capitalization on 2009.12.31	10 278 378.15 LVL

**JSC “Valmieras stikla šķiedra” share price development for the period 01.01.07 – 31.12.09**



Currency: LVL

**JSC “Valmieras stikla šķiedra” share price development in comparison with NASDAQ OMX Riga index for the period 01.01.07 – 31.12.09**



Index/Equity	01.01.2007	31.12.2009	+/-%
— OMX Riga	655.54	278.94	-57.45 ↓
— VSS1R	2.36 LVL	0.43 LVL	-81.78 ↓