



**JSC "VALMIERAS STIKLA ŠĶIEDRA"**

Reg.No. 40003031676

NOT AUDITED

Financial report

as at September 30, 2009

as at September 30, 2008

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 Dainis Šēnbergs 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

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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 , Canada, Australia , Russija, Ukraine and the Baltic states , total in 29 countries .

79.6% of the total production is sold to companies in the European Union ; export sales comprise 95.2 % 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 2009 the Company received a renewed certificate .

Total sales and net profit for the last 3 years 9 months are as follows:

	Sales thousand LVL	Net profit LVL
2007	28 701 191	442 714
2008	30 541 810	647 421
2009	23 726 318	(1 148 004)

During the 9 months of 2009 the company invested LVL 1,79 millions into producing buildings, machines and equipment to increase production efficiency with increasing labour productivity, less energy capacity to come to lower product costs.

Main production types in 2009 were fibreglass textiles (61% ) and threads ( 34% ).

Because of production request fall, product price in the global glass fibre market and old furnace reconstruction, net loss for the 9 months of 2009 was LVL 1,148 millions.

The share value of JSC Valmieras stikla šķiedra listed in Riga Stock Exchange increased for LVL 0.26 or 89.7% i.e., from LVL 0.29 as of 31 December 2008 to LVL 0.55 as of 30.09.2009.

The board has specified the main financial indices for 2009 and 2010. In 2009 JSC "Valmieras stikla šķiedra" is planning to sell production for LVL 31,5 millions and end the year without losses.

On 30 of 30 September , 2009 in JSC "Valmieras stikla šķiedra" worked 754 employees.

The unrevised abridged financial statement for 9 months of year 2009 preparation were used revised year 2008 statement accountig policy.

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Andris Oskars Brutāns  
Chairman of the Board

## **AS VALMIERAS STIKLA ŠĶIEDRA**

### **STATEMENT OF MANAGEMENT RESPONSIBILITIES**

The management of AS "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 September 2009 and the results of its operations and cash flows for the year ended 30 September 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 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

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Andri Oskars Brutāns

Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 September 2009 AND 30 September 2008

	2009	CURRENCY	2008	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/09 /2009EUR		on30/09 /2008EUR
<b>ASSETS</b>				
<i>Non-current assets</i>		<b>0.702804</b>		<b>0.702804</b>
<i>Intangible assets</i>				
Patents and licenses	22 871	32 543	39 109	55 647
Other intangible assets	17 477	24 868	16 000	22 766
<b>Total intangible assets</b>	<b>40 348</b>	<b>57 410</b>	<b>55 109</b>	<b>78 413</b>
<i>Fixed assets</i>				
Land and buildings	9 897 452	14 082 805	10 778 181	15 335 970
Equipment and machinery	21 456 905	30 530 425	24 953 272	35 505 307
Other fixed assets	313 149	445 571	420 950	598 958
Construction in progress	6 360 284	9 049 869	2 218 806	3 157 077
Advance payments for fixed assets	69 053	98 254	1 499 167	2 133 122
<b>Total fixed assets</b>	<b>38 096 843</b>	<b>54 206 924</b>	<b>39 870 376</b>	<b>56 730 434</b>
<b>Total non-current assets</b>	<b>38 137 191</b>	<b>54 264 334</b>	<b>39 925 485</b>	<b>56 808 847</b>
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	6 008 719	8 549 637	7 580 909	10 786 662
Work in progress	1 891 386	2 691 200	2 432 562	3 461 224
Finished goods	5 852 875	8 327 891	5 345 674	7 606 209
Advance payments for inventories	30 020	42 715	15 013	21 362
<b>Total inventory</b>	<b>13 783 000</b>	<b>19 611 442</b>	<b>15 374 158</b>	<b>21 875 456</b>
<i>Accounts receivable</i>				
Trade receivables	6 223 273	8 854 920	6 800 274	9 675 918
Other receivables	262 816	373 953	364 209	518 223
Deferred expenses	213 357	303 580	110 024	156 550
<b>Total accounts receivable</b>	<b>6 699 446</b>	<b>9 532 453</b>	<b>7 274 507</b>	<b>10 350 691</b>
Derivatives	–	–	440 433	626 680
Cash and cash equivalents	597 097	849 592	645 969	919 131
<b>Total current assets</b>	<b>21 079 543</b>	<b>29 993 488</b>	<b>23 735 067</b>	<b>33 771 958</b>
<b>TOTAL ASSETS</b>	<b>59 216 734</b>	<b>84 257 822</b>	<b>63 660 552</b>	<b>90 580 805</b>

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 June 2009 AND 30 June 2008

	2009	CURRENCY	2008	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/09 2009 EUR		on 30/09 2008 EUR
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>		<b>0.702804</b>		<b>0.702804</b>
<b>Shareholders' equity</b>				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 602 725	6 549 088	4 438 167	6 314 943
b) current year profit	(1 148 004)	(1 633 463)	647 421	921 197
<b>Total shareholders' equity</b>	<b>27 357 926</b>	<b>38 926 822</b>	<b>28 988 793</b>	<b>41 247 336</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	23 332 994	33 199 859	26 805 452	38 140 722
Finance lease	–	–	4 741	6 746
Deferred tax	160 361	228 173	711 123	1 011 837
<b>Total non-current liabilities</b>	<b>23 493 355</b>	<b>33 428 033</b>	<b>27 521 316</b>	<b>39 159 305</b>
<b>Current liabilities</b>				
Due to credit institutions	5 547 493	7 893 371	3 727 605	5 303 904
Finance lease	379	539	612	871
Advance payments from customers	35 840	50 996	23 415	33 317
Trade payables	2 132 185	3 033 826	2 509 223	3 570 303
Taxes and social security payments	187 917	267 382	239 176	340 317
Other accounts payable	188 977	268 890	251 501	357 854
Accrued liabilities	266 862	379 710	390 711	555 932
Deferred	5 800	8 253	8 200	11 668
Derivatives	–	–	–	–
Dividend for the financial year	–	–	–	–
<b>Total current liabilities</b>	<b>8 365 453</b>	<b>11 902 967</b>	<b>7 150 443</b>	<b>10 174 164</b>
<b>Total liabilities</b>	<b>31 858 808</b>	<b>45 331 000</b>	<b>34 671 759</b>	<b>49 333 469</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>59 216 734</b>	<b>84 257 822</b>	<b>63 660 552</b>	<b>90 580 805</b>

**JSC VALMIERAS STIKLA ŠKIEDRA**

**STATEMENT OF PROFIT AND LOSS**

**FOR THE YEARS ENDED 30 September 2009 AND 30 September 2008**

	30.09.2009		30.09.2008	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	23 726 318	33 759 509	30 541 810	43 457 080
Changes in inventories	(2 163 005)	(3 077 679)	1 156 153	1 645 058
Other operating income	1 662 591	2 365 654	286 053	407 017
Raw materials and consumables	(11 153 126)	(15 869 469)	(15 231 138)	(21 671 957)
Personnel expenses	(4 591 316)	(6 532 854)	(5 387 962)	(7 666 379)
Depreciation and amortization	(3 824 586)	(5 441 896)	(4 550 239)	(6 474 407)
Other operating expenses	(3 743 891)	(5 327 077)	(5 020 316)	(7 143 266)
<b>Profit from operations</b>	<b>-87 015</b>	<b>-123 811</b>	<b>1 794 361</b>	<b>2 553 146</b>
Interest - and similar income	244	347	929	1 322
Interest - and similar expenses	(1 061 233)	(1 509 999)	(1 112 869)	(1 583 470)
<b>Profit before taxes</b>	<b>(1 148 004)</b>	<b>(1 633 463)</b>	<b>682 421</b>	<b>970 998</b>
Corporate income tax				
<b>Net profit</b>	<b>(1 148 004)</b>	<b>(1 633 463)</b>	<b>682 421</b>	<b>970 998</b>
<b>Basic earnings per share</b>	<b>-0.0480</b>	<b>-0.0683</b>	<b>0.0285</b>	<b>0.0406</b>



	2009 Year	2009Year	2008 Year	2008Year
	9 months	9 months	9 months	9 months
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>operating activities</b>				
Profit / (loss) before taxation	(1 148 004)	(1 633 463)	682 421	970 998
Adjustments:				
Depreciation and amortization	3 824 586	5 441 896	4 550 239	6 474 407
(Profit) or loss from disposal of fixed assets	79	112	(5 695)	(8 103)
Interest expense	1 079 706	1 536 283	1 089 764	1 550 594
Interest income	(244)	(347)	(929)	(1 322)
<b>Changes in operating assets and liabilities:</b>				
Inventory	3 866 458	5 501 474	(1 256 259)	(1 787 496)
Accounts receivable and other assets	(563 477)	(801 756)	(1 803 590)	(2 566 277)
Accounts payable and other liabilities	(1 623 107)	(2 309 473)	(93 207)	(132 622)
Interest received	244	347	929	1 322
<b>Cash provided by operating activities</b>	<b>5 436 241</b>	<b>7 735 074</b>	<b>3 163 673</b>	<b>4 501 501</b>
<b>investing activities</b>				
Purchase of fixed assets and intangible assets, advance payments	(1 295 892)	(1 843 888)	(3 672 992)	(5 226 197)
Proceeds from sale of fixed assets	4 873	6 934	5 940	8 452
<b>Net cash used in investing activities</b>	<b>(1 291 019)</b>	<b>(1 836 955)</b>	<b>(3 667 052)</b>	<b>(5 217 745)</b>
<b>Financing activities</b>				
Received loans from credit institution	284 636	405 001	2 121 630	3 018 808
Paid loans to credit institutions	(2 060 460)	(2 931 770)	0	0
Increase in credit line	285 168	405 758	(461 412)	(656 530)
Finance lease payments	(2 425)	(3 450)	(18 034)	(25 660)
Interest expenses paid	(778 273)	(1 107 383)	(1 089 764)	(1 550 594)
<b>Net cash provided by financing activities</b>	<b>(2 271 354)</b>	<b>(3 231 846)</b>	<b>552 420</b>	<b>786 023</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>200 188</b>	<b>284 842</b>	<b>49 041</b>	<b>69 779</b>
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>	<b>597 097</b>	<b>849 592</b>	<b>645 969</b>	<b>919 131</b>

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity

In 9 months of 2009

	rate of exchange			0.702804		
	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
<b>AS of 31 december 2007</b>	<b>23 903 205</b>	<b>4 097 131</b>	<b>28 000 336</b>	<b>34 011 197</b>	<b>5 829 692</b>	<b>39 840 889</b>
Current 9 Months 2008 profit		647 421	647 421		921 197	921 197
Current X-XII 2008profit		(141 827)	(141 827)		(201 802)	(201 802)
<b>AS of 31 december 2008</b>	<b>23 903 205</b>	<b>4 602 725</b>	<b>28 505 930</b>	<b>34 011 197</b>	<b>6 549 088</b>	<b>40 560 284</b>
Current 9 Months 2009 profit		(1 148 004)	(1 148 004)		(1 633 463)	(1 633 463)
Current of 30 September 2009	<b>23 903 205</b>	<b>3 454 721</b>	<b>27 357 926</b>	<b>34 011 197</b>	<b>4 915 625</b>	<b>38 926 822</b>

Andris Oskars Brutāns

Chairman of the Board

## ANNEX

### 1. SHARE CAPITAL

The company's registered share capital as at 30 September 2009 and 2008 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30 September 2009 and 2008 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 September 2009 and 2008 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	<b>2009</b>	<b>2008</b>
	<b>9 Months</b>	<b>9 Months</b>
P-D Glasseiden Oschatz GmbH	38.2%	45.3%
Vitruhan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies DmbH	11.7%	–
Skandinaviska Enskilda Banken Ab	2.0%	2.2%
VAS VSAA	2.4%	2.4%
P.D.P.Fiberglass Consulting Ltd.	–	4.6%
Braune Beatrix	2.6%	2.6%
Other	6.9%	6.7%
	<b>100.00%</b>	<b>100.00%</b>

### 2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

#### 1. MATERIAL EXPENSES

	<b>2009</b>	<b>EUR</b>	<b>2008</b>	<b>EUR</b>
	<b>9 Months</b>		<b>9 Months</b>	
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
Raw materials	7 056 306	10 040 219	10 173 227	14 475 198
Electricity	1 567 095	2 229 775	1 882 353	2 678 347
Ore processing costs	139 400	198 348	256 389	364 809
Natural gas	1 667 200	2 372 212	1 912 101	2 720 675
Depletion of ore	97 164	138 252	104 803	149 121
Other	625 961	890 662	902 265	1 283 807
<b>Total</b>	<b>11 153 126</b>	<b>15 869 469</b>	<b>15 231 138</b>	<b>21 671 957</b>

#### 2. PERSONNEL EXPENSES

Salaries	3 108 140	4 422 485	3 697 838	5 261 549
Social security payments	844 902	1 202 187	969 620	1 379 645
Illness and vacation expenses	429 616	611 288	458 431	652 289
Provisions for bonuses of Board and Council	54 800	77 973	56 100	79 823
Insurance of employees	36 357	51 731	44 801	63 746
Other	117 501	167 189	161 172	229 327
<b>Total</b>	<b>4 591 316</b>	<b>6 532 854</b>	<b>5 387 962</b>	<b>7 666 379</b>

#### 3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	3 810 431	5 421 755	4 532 349	6 448 952
Intangible asset amortisation	14 155	20 141	17 890	25 455
<b>Total</b>	<b>3 824 586</b>	<b>5 441 896</b>	<b>4 550 239</b>	<b>6 474 407</b>

#### 4. OTHER OPERATING EXPENSES

Transportation	1 350 787	1 921 997	1 767 656	2 515 148
Commission	898 580	1 278 564	1 339 484	1 905 914
Service costs	382 808	544 687	520 195	740 171
Repairs	244 089	347 307	400 794	570 278
Maintenance expenses	270 313	384 621	326 688	464 835
Insurance	108 547	154 448	153 057	217 780
Business trips	111 918	159 245	98 045	139 505
Expenses relating to personnel	109 470	155 762	155 100	220 687
Communications	40 181	57 172	43 254	61 545
Leasing	73 732	104 911	75 815	107 875
Property tax	40 504	57 632	37 159	52 872
Office expenses	16 509	23 490	36 775	52 326
Selling expenses	24 345	34 640	10 407	14 808
Increase in doubtful debts	34 000	48 378	10 000	14 229
Other	38 108	54 223	45 887	65 291
<b>Total</b>	<b>3 743 891</b>	<b>5 327 077</b>	<b>5 020 316</b>	<b>7 143 266</b>

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### 3. TRADE RECEIVABLES

	<b>2009</b>	<b>EUR</b>	<b>2008</b>	<b>EUR</b>
	<b>9 months</b>		<b>9 months</b>	
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
P-D Glasseiden Oschatz GmbH	2 306 942	3 282 483	2 628 736	3 740 354
Vitrolan Technical GmbH	376 751	536 068	—	—
Vitrolan Textilglas GmbH	398 843	567 502	376 445	535 633
Other trade receivables	3 140 737	4 468 866	3 795 508	5 400 521
	<b>6 223 273</b>	<b>8 854 920</b>	<b>6 800 689</b>	<b>9 676 509</b>

**Andris Oskars Brutāns**

Chairman of the Board

## 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
Indexes	B20GI, B20PI, OMXBGI, OMXBPI, OMXRGI

### JSC “Valmieras stikla šķiedra” share price development for the period 01.01.09 – 30.09.09



*Currency: LVL*

Open	0.29 LVL
Max	0,64 LVL
Min	0,27 LVL
Last	0,55 LVL
Change	89,66 %
Deals	818
No of shares traded	612 660
Turnover	225 094,14 LVL