



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

NOT AUDITED

Financial report

as at December 31, 2009

as at December 31, 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

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 31 countries . 79.2% of the total production is sold to companies in the European Union ; export sales comprise 95.4 % 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 are as follows:

	Sales thousand LVL	Net profit thousand LVL
2007	37 202.9	- 426.0
2008	37 813.4	505.6
2009	30 284.5	31.4

During 2009 the company has invested LVL 2.44 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 (60%)and threads (35%).

Turnover in 2009 was 31.0 million LVL. Turnover and sales in 2009 were influenced by the following factors:

* Because of furnace reconstruction was less production amount. On January, 2010 furnace after reconstruction started to work again.

* Price and production request decrease in glass fibre market.

The share value of JSC Valmieras stikla šķiedra listed in Riga Stock Exchange increased for LVL 0.14 or % 48.3 I.c., from LVL 0.29 as of 31 December 2008 to LVL 0.43 as of 31.12.2009.

The Board has developed budget and investment plan for 2010. The Company's expects sales for 2010 are 36.7 million LVL, net profit 976.4 th.LVL and investments 600.00 th. LVL.

As of 31 December , 2009 in JSC "Valmieras stikla šķiedra" worked 738 employees.

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

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 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 6 to 12. The management also confirms that applicable International Financial Reporting Standards as adopted by the European Union have been followed and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records , for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the management

Andri Oskars Brutāns

Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 December 2009 AND 31 December 2008

	2009	CURRENCY	2008	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on31/12 /2009EUR		on31/12 /2008EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	21 449	30 519	33 628	47 848
Other intangible assets	17 477	24 868	17 477	24 868
Total intangible assets	38 926	55 387	51 105	72 716
<i>Fixed assets</i>				
Land and buildings	9 696 296	13 796 586	10 554 116	15 017 154
Equipment and machinery	20 497 092	29 164 734	23 945 521	34 071 407
Other fixed assets	287 357	408 872	404 102	574 985
Construction in progress	6 910 297	9 832 467	5 149 855	7 327 584
Advance payments for fixed assets	3 153	4 486	501 038	712 913
Total fixed assets	37 394 195	53 207 146	40 554 632	57 704 043
Total non-current assets	37 433 121	53 262 533	40 605 737	57 776 759
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	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	5 565 269	7 918 664	7 175 166	10 209 341
Advance payments for inventories	29 436	41 884	16 559	23 561
Total inventory	13 456 326	19 146 627	17 649 458	25 112 916
<i>Accounts receivable</i>				
Trade receivables	6 869 698	9 774 700	5 620 654	7 997 470
Other receivables	490 322	697 665	358 356	509 895
Deferred expenses	242 559	345 130	156 959	223 333
Total accounts receivable	7 602 579	10 817 495	6 135 969	8 730 697
Cash and cash equivalents	526 156	748 653	396 909	564 751
Total current assets	21 585 061	30 712 775	24 182 336	34 408 364
TOTAL ASSETS	59 018 182	83 975 307	64 788 073	92 185 123

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BALANCE SHEET

AS AT 31 December 2009 AND 31 December 2008

	2009	CURRENCY	2008	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 31/12 2009 EUR		on 31/12 2008 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	4 602 725	6 549 088	4 097 131	5 829 692
b) current year profit	31 387	44 660	505 594	719 395
Total shareholders' equity	28 537 317	40 604 944	28 505 930	40 560 284
Liabilities				
Non-current liabilities				
Due to credit institutions	22 590 396	32 143 238	25 108 818	35 726 629
Finance lease	–	–		
Deferred tax	–	–	160 361	228 173
Total non-current liabilities	22 590 396	32 143 238	25 269 179	35 954 802
Current liabilities				
Due to credit institutions	5 191 936	7 387 459	6 568 135	9 345 614
Finance lease	16 107	22 918	4 141	5 892
Advance payments from customers	5 919	8 422	293 825	418 075
Trade payables	2 111 402	3 004 254	3 363 581	4 785 945
Taxes and social security payments	324 785	462 127	272 199	387 304
Other accounts payable	180 701	257 114	381 421	542 713
Accrued liabilities	56 219	79 992	123 862	176 240
Deferred	3 400	4 838	5 800	8 253
Derivatives	–	–	–	–
Dividend for the financial year	–	–	–	–
Total current liabilities	7 890 469	11 227 126	11 012 964	15 670 036
Total liabilities	30 480 865	43 370 364	36 282 143	51 624 839
Total liabilities & shareholders' equity	59 018 182	83 975 307	64 788 073	92 185 123

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 December 2009 AND 31 December 2008

	31.12.2009		31.12.2008	
	LVL	EUR 0.702804	LVL	EUR 0.702804
Revenues	30 284 546	43 091 027	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 capitalised	45 239	64 369	58 551	83 311
Other operating income	4 961 799	7 060 004	360 857	513 453
Raw materials and consumables	(15 351 360)	(21 843 017)	(20 371 498)	(28 986 030)
Personnel expenses	(5 983 146)	(8 513 250)	(7 210 109)	(10 259 061)
Depreciation and amortization	(5 077 652)	(7 224 848)	(5 980 314)	(8 509 220)
Other operating expenses	(5 208 802)	(7 411 458)	(6 551 741)	(9 322 288)
Profit from operations	1 267 195	1 803 056	1 404 319	1 998 166
Interest - and similar income	28 504	40 558	73 959	105 234
Interest - and similar expenses	(1 424 673)	(2 027 127)	(1 428 265)	(2 032 238)
Profit before taxes	(128 974)	(183 513)	50 013	71 162
Corporate income tax	160 361	228 173	455 581	648 233
Net profit	31 387	44 660	505 594	719 395
Basic earnings per share	0.0013	0.0018	0.0212	0.0302

	2009 Year	2009Year	2008 Year	2008Year
	12 months	12 months	12 months	12 months
	LVL	EUR	LVL	EUR
		0.702804		0.702804
operating activities				
Profit / (loss) before taxation	(128 974)	(183 513)	50 013	71 162
Adjustments:				
Depreciation and amortization	5 077 652	7 224 848	5 980 314	8 509 220
(Profit) or loss from disposal of fixed assets	12 187	17 341	(5 671)	(8 069)
Interest expense	1 420 912	2 021 776	1 426 921	2 030 326
Interest income	(1 815)	(2 583)	(1 120)	(1 594)
Changes in operating assets and liabilities:				
Inventory	4 193 132	5 966 289	(3 531 559)	(5 024 956)
Accounts receivable and other assets	(1 466 610)	(2 086 798)	(665 052)	(946 284)
Accounts payable and other liabilities	(1 734 332)	(2 467 732)	853 152	1 213 926
Interest received	1 815	2 583	1 120	1 594
Cash provided by operating activities	7 373 967	10 492 210	4 108 118	5 845 325
investing activities				
Purchase of fixed assets and intangible assets, advance payments	(1 838 687)	(2 616 216)	(5 601 009)	(7 969 518)
Proceeds from sale of fixed assets	4 873	6 934	5 940	8 452
Net cash used in investing activities	(1 833 814)	(2 609 282)	(5 595 069)	(7 961 066)
Financing activities				
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	(11 966)	(17 026)	(19 246)	(27 385)
Interest expenses paid	(1 504 319)	(2 140 453)	(1 497 935)	(2 131 369)
Net cash provided by financing activities	(5 410 906)	(7 699 026)	1 286 932	1 831 139
Net (decrease) / increase 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
Cash and cash equivalents at the end of the year	526 156	748 653	396 909	564 751

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity
In 12 months of 2009

	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 2007	23 903 205	4 097 131	28 000 336	34 011 197	5 829 692	39 840 889
Current 12 Months 2008 profit		505 594	505 594		719 395	719 395
AS of 31 december 2008	23 903 205	4 602 725	28 505 930	34 011 197	6 549 088	40 560 284
Current 12 Months 2009 profit		31 387	31 387		44 660	44 660
Current of 31 December 2009	23 903 205	4 634 112	28 537 317	34 011 197	6 593 747	40 604 944

Andris Oskars Brutāns
Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 31 December 2009 and 2008 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 31 December 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 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
	12 Months	12 Months
P-D Glasseiden Oschatz GmbH	26.0%	38.2%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies DmbH	23.9%	11.7%
Skandinaviska Enskilda Banken Ab	2.0%	2.0%
VAS VSAA	2.4%	2.4%
Braune Beatrix	2.6%	2.6%
Other	6.9%	6.9%
	100.00%	100.00%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2009	EUR	2008	EUR
	12 Months		12 Months	
	LVL	0.702804	LVL	0.702804
Raw materials	8 921 888	12 694 703	13 756 825	19 574 198
Electricity	2 044 955	2 909 709	2 545 231	3 621 537
Ore processing costs	179 212	254 996	326 295	464 276
Natural gas	2 076 966	2 955 256	2 895 298	4 119 638
Depletion of ore	89 100	126 778	115 520	164 370
Other	2 039 239	2 901 576	732 329	1 042 010
Total	15 351 360	21 843 017	20 371 498	28 986 030

2. PERSONNEL EXPENSES

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
Total	5 983 146	8 513 250	7 210 109	10 259 061

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	5 059 032	7 198 354	5 956 943	8 475 966
Intangible asset amortisation	18 620	26 494	23 371	33 254
Total	5 077 652	7 224 848	5 980 314	8 509 220

4. OTHER OPERATING EXPENSES

Transportation	1 901 661	2 705 820	2 362 464	3 361 483
Commission	1 117 673	1 590 305	1 569 025	2 232 521
Service costs	472 351	672 095	579 080	823 957
Research	57 445	81 737	85 297	121 367
Repairs	368 138	523 813	548 295	780 153
Maintenance expenses	386 676	550 190	476 780	678 397
Insurance	143 475	204 147	186 234	264 987
Business trips	163 294	232 346	162 147	230 714
Labour safety and specific clothing	26 024	37 029	57 524	81 849
Communications	58 324	82 988	63 466	90 304
Leasing	90 021	128 088	100 776	143 391
Property tax	45 243	64 375	51 096	72 703
Office expenses	23 749	33 792	32 975	46 919
Selling expenses	36 330	51 693	20 940	29 795
Increase in doubtful debts	47 785	67 992	3 234	4 602
Other	270 613	385 048	252 408	359 144
Total	5 208 802	7 411 458	6 551 741	9 322 288

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3. TRADE RECEIVABLES

	2009	EUR	2008	EUR
	12 months		12 months	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	2 004 743	2 852 492	2 578 964	3 669 535
Vitrulan Technical GmbH	60 818	86 536	79 492	113 107
Other trade receivables	4 857 788	6 912 010	2 972 543	4 229 548
Allowance for doubtful receivables	-53 651	-76 338	-10 345	-14 720
	6 869 698	9 774 700	5 620 654	7 997 470

Andris Oskars Brutāns

Chairman of the Board